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How to establish a Project Management Office (PMO)

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*"Each of you is a shepherd, and each of you is responsible for his herd."
Mohammed (PBUH)*

I. ABSTRACT

Organizations are becoming more and more aware of the importance of a project management office to rule the implementation of their conducted projects, that's why increasingly more organizations are opening PMOs.

In this paper, I will outline the importance of a PMO in an organization, its intended role, how to establish a PMO in a certain organization, the components necessary to exist in that PMO, along with its organizational structure, and roles and responsibilities of PMO staff. It's intended to be a practical, implementation oriented presentation of the subject.

Until now there is no globally adopted and recognized standard for PMOs, and models used by different organizations differ a lot, but there is a common set of basic requirements, components, and functions of any PMO to be of value to its organization, and these basic concepts are what we will base our discussion upon.

This subject will be of interest to top management and leadership of project-based organizations, regardless of their industry field (IT, Construction, Manufacturing, energy, military, etc.). The measurements and Key Performance Indicators (KPIs) provided by the PMO regarding the status and progress tracking of each undertaken project allows the organization top management to make well informed analysis and decisions to adjust its project portfolio based on the organization's strategic goals and objectives.

Keywords: *PMO, Project Management Office, PMO Establishment, Portfolio Management Office, Program Management Office, Project Office, Project Management Methodology*

II. WHAT IS A PMO?

PMO stands for "Project Management Office", but it is not limited only to project management, it also involves program and portfolio management. There are other names usually used to refer to such an organizational entity, including "Project Office", "Program Management Office", and "Portfolio Management Office". While the roles and functions of the organizational

entities bearing these names don't differ significantly, the specific name sometimes reveals a specific functional focus within the organization.

PMOs started getting popular in late 1990s. The PMO can be defined as: "An organizational entity that fills several roles or functions, with respect to a group of projects." [6] "An organization that can maximize the value of 'project management' by standardizing the practices and consolidating the initiatives across the enterprise." [1]

According to the study in [5], "The most important finding of the study is that PMOs are not static entities. Most change every few years. Project management office implementations are situationally dependent and adjust or transform according to operational, organizational, social, and other forces. And these forces do not affect PMOs in reliable, predictable ways ... Principal drivers of transformation include the change of CEO or business-unit manager, change of PMO director, change in organization philosophy, and organization politics."

PMO Types:

There is no standardized form of PMOs until now, and the application of this concept across different organizations is very diverse. There is, however, a common set of basic functions and characteristics that all PMOs have to implement to fulfill their intended role. This diversity could be for the benefit of organizations, so that PMOs can be adapted in the way most suitable to the specific organization culture and needs.

The typical form of a PMO is the project management office to which project managers report, directly or indirectly, and which is responsible for managing projects from inception to closure. It incorporates all of project, program, and portfolio management functions, as well as being a center of excellence which promotes project management knowledge and standardization.

The popular variations of PMOs based on its operational scope can be briefed as follows, while still some of these variations can coexist together in the same organization with their own specific functional focus:

Single Project PMO: This type refers to project office formed for the purpose of managing that specific project, and it is dissolved once the project is closed. This is a very limited version of PMOs, and is not the usually intended meaning of PMO as it is used in most contexts.

Portfolio Management Office: Here the PMO is functioned mainly with selecting, prioritizing, resourcing, and reviewing continuous viability of projects throughout the organization, but not specifically managing these projects.

Customer Based PMOs: this PMO includes all projects conducted for a single specific customer, internal or external, managed under the account of this customer.

The relationship of project managers to the PMO can be:

- Project managers report directly to the PMO
- Project managers report to their respective functional units with the PMO playing a supportive and directive role

In operating PMOs, project managers should be taken in consideration. PMOs that focus too much on enforcing policy and procedure, as opposed to project success, tend to turn off project managers. The type of PMO that project managers tend to want to work with are those that incorporate portfolio management functions of investment governance and good decision making, rather than overly concentrated on methodologies and processes. [3]

Hierarchically, PMOs can be:

- Centrally located across all the organizational units, and in this case it plays a more important role in strategic planning.
- Located within business, functional, or geographical organizational units, and acting within this scope. The PMO scope could be specific functional area like IT or technical department, new product development, or organization wide.
- There can be a central PMO and other sub-PMOs reporting to it, forming a hierarchy of the PMO itself.

The implementation of PMOs is too varied to allow useful standardization. Managers seeking a standard will not find one. They will find instead extensive and well-grounded guidance in creating a PMO that meets their needs. [5]

Geographic region, economic sector, public versus private sector, and organization size are not effective differentiating factors in discriminating among PMOs' structure, functions, or performance. PMOs characteristics can't be clustered around any of these factors. The determinants of the PMO structure and roles or ultimately their perceived value to the organization are largely internal to the organizational context. [6]

III. PMO BENEFITS:

Organizations choosing to establish a PMO are expecting a number of benefits by doing so. The following are some of the prospected benefits of operating a PMO:

- Specialized and organized resource pool that allows an increase in the initiatives taken by the organization. Training and development of these resources yields trained project managers, increased accountability, and adoption and application of rigorous project management standards.
- The PMO is a service to the other business and IT units in the organization. It helps achievement of the organization strategic goals through aligned project selection and continual viability evaluation of projects, including IT projects, to deliver their end products or services.
- Decision making support to senior management: The PMO provides periodical reporting to senior management on the status tracking of several projects in their portfolio(s), through reporting dashboards, which summarizes the important inputs and criteria based on which senior management can form its decisions.
- The PMO takes care of the administrative issues like contract administration, procurement, and supplier management, ensuring that the project manager and the project team are not overloaded with administrative tasks, leaving them focusing on more important project management and production efforts. On the other hand, this also yields more efficient administrative control.

PMO ROI:

- Use of standardized and streamlined methodology eventually results in reduction of the amount of re-work and fixes of the work done, which in turn translates into cost savings. This allows more project work to be done with the same amount of assigned budget.
- Better resource management: The PMO allocates resources to projects based on availability, need, and priority. This guarantees the maximum and best utilization of resources in the organization.
- Justification of fund needs: By maintaining project information and management controls, the PMO is able to justify investment in particular projects based on the evaluation and weighing conducted.

- Usually organizations with PMO are capable of delivering higher number of projects per year than organizations without PMO, that's because of the specialized resources and the pipelined management processes. That increased throughput translates to financial figures in terms of annual return and profitability.

What the PMO does should be always focused on the benefit of the organization and project management maturity and success within there, not on compliance with the processes. "PMOs that are perceived as costly and useless are also perceived as lacking expertise and being too controlling." [6]

IV. PMO FUNCTIONS:

The PMO as an organizational unit is totally independent of the specific project management methodology being adopted, developed, applied, and promoted through this organizational unit. Some organizations may choose to follow PMBOK methodology, others may prefer PRINCE2, and the variety of options includes a number of other well known frameworks. (Find suggestions regarding selection of project management frameworks in [7]).

Although it is the choice of some organizations for PMO implementation, the PMO is not meant to act merely as a Center of Excellence giving general guidance and directions without involvement in management of the projects, leaving each business unit manage its projects on its own. Rather, PMOs are mostly meant to handle projects monitor and control during execution, and also be involved after closure and handover during conduct of assessments and gathering of lessons learned.

The PMO may perform all or some of the following functions, depending on the purpose for which the containing organization established it, and the scope within which it is operating:

- ✓ Portfolio management & periodic project review.
- ✓ Coaching, mentoring, support, and training on project management practices and standards throughout the organization.
- ✓ Project repository of all projects undertaken by the organization.
- ✓ Project monitor and control activities.
- ✓ Project tracking, dashboard, and reporting. The reported metrics can be at project, program, or portfolio levels, as appropriate to the purpose of the report that will support decision making at the top management level.
- ✓ Central Project Management Information System (PMIS).
- ✓ Centralized project resources management and allocation.

- ✓ Maintaining the project management intellectual property of the organization as organizational assets in a historical records database.
- ✓ Strategic planning and business case development.
- ✓ Development of project management standard processes and templates, to serve for creating a common language between project stakeholders, reduce complexity, and increase productivity.
- ✓ Continuous improvement of project management practices within the organization.

The functions of PMOs in general can be grouped in the following groups of interrelated and dependent sets of functions, listed in order of popularity and perceived importance: [6]

(1) Monitoring and Controlling Project Performance (Project Governance Functions):

- Report project status to upper management
- Monitor and Control project performance
- Implement and operate a project management information system
- Develop and maintain a project scorecard

(2) Development of Project Management Competencies and Methodologies:

- Develop and implement a standard methodology
- Promote project management within the organization
- Develop competency of personnel through training
- Provide mentoring for project managers
- Provide a set of tools ready without an effort to standardize

(3) Multi-Project Management:

- Coordinate between projects
- Identify, select, and prioritize new projects
- Manage one or more portfolios
- Manage one or more programs
- Allocate resources between projects

(4) Strategic Management:

- Provide advice to upper management
- Participate in strategic planning
- Manage benefits
- Conduct networking and environmental scanning

(5) Organizational Learning:

- Monitor and Control the performance of the PMO
- Manage archives of project documentation
- Conduct post-project reviews
- Conduct project audits
- Implement and manage database of lessons learned
- Implement and manage risk database

(6) Execute specialized tasks for (on behalf of) project managers (e.g. scheduling, risk management, contract management)

(7) Manage customer interfaces

(8) Recruit, select, evaluate, and determine salaries for project managers, in conjunction with the HR department in the organization

V. ESTABLISHMENT STEPS:

The following process flowchart (Figure 1) summarizes the sequence of broad line steps that are followed in order to setup the PMO

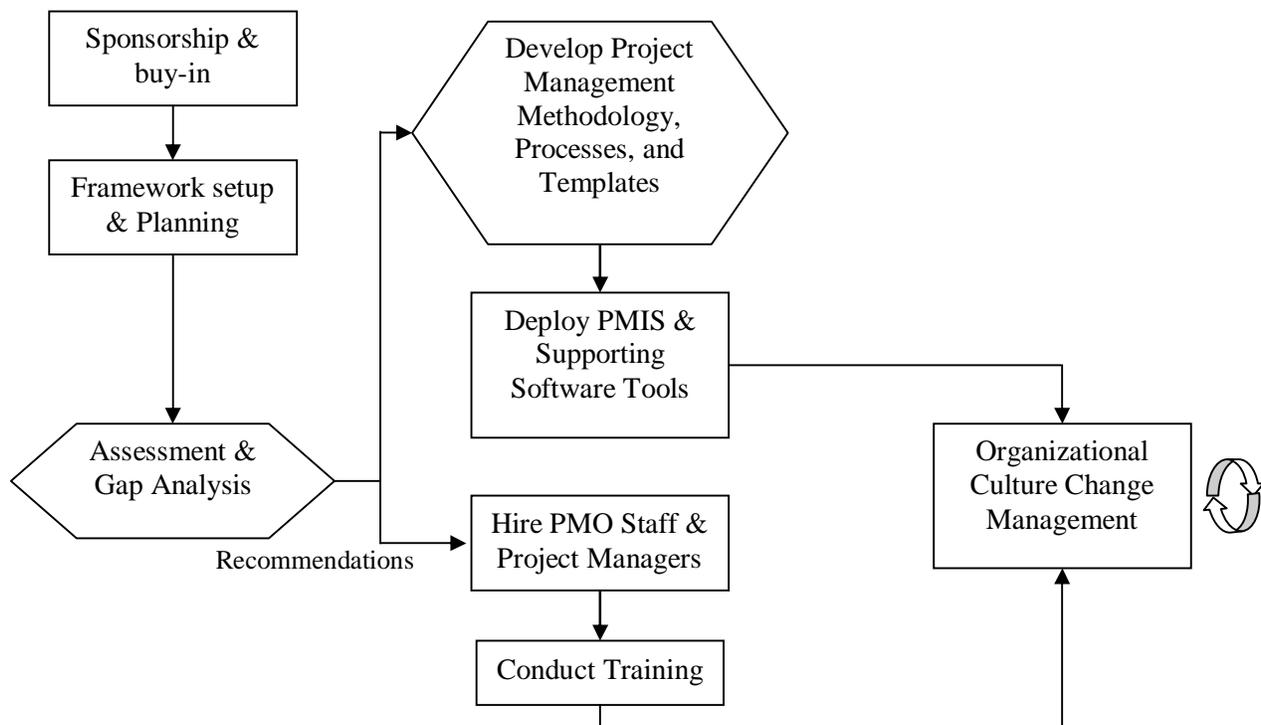


Figure 1: PMO Establishment Process Flowchart

- 1- Gain sponsorship and buy-in from senior management.
- 2- Set the PMO framework, choose your most suitable PMO model, and conduct appropriate planning.
- 3- Assess the current state of the organization and conduct gap analysis to come up with recommendations.
- 4- Hire the PMO staff and project managers and evaluate their skills.
- 5- Conduct training for the project managers.
- 6- Develop the project management methodology that will be adopted by the new PMO, along with the supporting processes guide and necessary templates and documents.
- 7- Deploy the PMIS and supporting software tools.
- 8- Change Management is overarching the whole establishment project to manage the organizational and cultural changes being deployed and overcome the resistance.

Like most of projects, these steps will go through an evolutionary continually evolving process, with gradual increase of scope and addition of functionality. The following explanation details the activities carried out in order to accomplish each step of this process:

(1) Senior Management Sponsorship:

Securing buy-in usually depends on the benefits and payoff expected from the PMO. The top management needs to see upfront the ROI of establishing the PMO, and how the cost savings will outweigh the investment expenses for this establishment. It's advisable to achieve quick-wins to maintain credibility as the PMO grows.

(2) Framework and Planning:

Set the PMO's goals, vision, and mission. This should be aligned with the greater organization strategic goals. This can be for example increased ROI for projects, coaching and mentoring, or other objectives depending on the organization priorities. A charter document should be created to include this information, and communicated to relevant stakeholders of the establishment project.

At this stage, it should also be decided on the chosen type of the PMO and its intended functions as explained in the previous sections. This selection is normally based on the organization size and objectives, number and type of projects, and the project management maturity level within the organization.

(3) Assessment and Gap Analysis:

The current state of the organization maturity and readiness levels as related to project management practices and experience should be assessed, in order to gain a picture of the overall stance of the organization in its current state, and how far it is from the desired state after launching the PMO.

The purpose of this exercise is to conduct gap analysis and to size the amount of effort needed to reach the targeted level, by giving recommendations for the next steps to take in the establishment process. Usually tools like surveys, interviews, and questionnaires are used in this step, and measures can be produced in numerical and graphical form, as well as literal findings and recommendations report.

(4) PMO Staffing:

The average PMO employs few persons as operational staff, aside from the project managers that may be employed within and reporting to the PMO, depending on the selected PMO model. Personnel are needed to be included to fill each of the functions the PMO is designed to provide, with the skills and number of staff suitable for each function.

There will be:

- a. Project Management staff
- b. Program Management staff
- c. Portfolio Management staff
- d. Support staff

Certainly, there can be common staff performing all or some of these functions, and not necessarily a separate staff for each function. The HR department should prepare job description for these new positions properly.

Besides, the PMO leader/manager/director is another role, which is best to be hired as early in the establishment process as possible, in order to provide his expertise and to be involved in making the decisions related to the PMO under establishment.

(5) Conduct Training for Project Managers:

Hired project managers may not necessarily have enough background and experience in managing projects, and may not have applied formal project management practices in managing projects before. For these reasons, appropriate orientation and technical training have to be prepared for them. It's highly advisable that the training be conducted based on the selected project management framework that will be adopted in the PMO so that the project

managers will be able to understand and apply the methodology, processes, templates that will be developed for the PMO operation.

(6) Develop Project Management Methodology, Processes, and Templates:

The preferred project management methodology, which was found by the PMO stakeholders to be the most suited for the kind of projects to be carried out by the PMO, is then developed, in a tailored and customized way that addresses the needs and practices of the organization.

According to this methodology, the entailed processes should be documented in a way that can be readily understood and easily applied by the intended users. This can be in the form of a flowchart, or an organized step by step detailed document, clarifying the entry and exit criteria for each process, and the related inputs, outputs, and tools.

Usually standardized templates developed upfront and made ready for use to create standard documents for several purposes as dictated by the methodology are developed. These templates also serve for creating the input and output instruments for each process.

A series of orientation sessions will need to be arranged after that for the project managers to get hands-on practices on how to use the developed methodology, processes, and templates in conducting their project management duties through the PMO.

(7) Deploy PMIS and Supporting Software Tools:

Many PMIS tools are provided by several vendors in the market, and a good effort should be done upfront to select the most suited tool for the prospected PMO organization, based on a number of criteria like the needed functionalities, the supported team collaboration features, the available budget, and the information systems infrastructure in the organization.

Software tools are usually helpful and form an important part of the solution. There is a wide variety of software tools for many relevant purposes. For example, project management and scheduling tools, portfolio management tools, and enterprise team collaboration tools. Other options also may be considered like creating an intranet website for the PMO.

It's important to note that you shouldn't expect that just by deploying the tool the PMO will be functional and processes have been implemented. The tool is a supporting aid for automating the processes, but all other components of the PMO should be prepared so that the value of the tool can be realized.

(8) Organizational Culture Change Management:

Usually the establishment of a new PMO in an organization that didn't use to have one represents a major organizational culture change. You may be faced with resistance from people who will be directly affected by this change, specially the project managers who will find themselves obliged to follow a set of predetermined processes and templates which may be perceived as overhead.

To overcome this resistance and to ease such change, involve the relevant stakeholders from beginning, so they witness the transformation and get gradually accommodated to the new mindset with increased buy-in. Also maintain constant effective communication throughout the change process of the establishment project in order to keep all relevant parties tuned to how things are progressing as gradual changes occur.

"To ensure a smooth cultural transition, there has to be something in it for everybody, whether it's helping team members automate a process or facilitating monthly reporting with a new tool." [4]

VI. ADVICES FOR ESTABLISHING A SUCCESSFUL PMO:

The following advices have been listed in [1] as helpful factors to establish a successful PMO:

- 1- Buy-in from the senior leadership team is the single most important factor
- 2- Set realistic expectations / timelines with the leadership team
- 3- Build a roadmap with goals, objectives, and milestones and share it with others on the team
- 4- Develop organization structure, roles, and responsibilities
- 5- Develop process for governance / decision making
- 6- Build the team to support the above (approved) structure
- 7- Involve / communicate regularly with the rest of the organization about the changes
- 8- Review the progress regularly—more frequently in the beginning
- 9- Be open to suggestions and reserve the option to change the roadmap / timelines
- 10- Maintain transparency

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