

Creating a project management office (PMO)

Executive summary

The project management office (PMO) was initially developed to define and maintain standards for project management in the organisation.

In many organisations, the PMO has developed a strategic role involved in helping the organisation make better decisions such as which projects to run, optimising the allocation of resources and the constant evaluation and appraisal of in progress projects.

Irrespective of the type of organisation, a PMO can make a significant contribution to project outcomes and business decisions.

Typical functions of a PMO

The PMO was originally conceived as a way of setting standards and establishing best practice principles for project management through the organisation. In many organisations this is still the main remit of the PMO.

However, in many organisations the remit of the PMO has now widened to include functions such as stakeholder communication, data analysis and facilitating resource allocation decisions.

For organisations with a portfolio management (PPM) process, the PMO becomes the platform for capturing project requests (demand), facilitating the project selection and prioritisation process and monitoring ongoing project and portfolio performance.

Why implement a PMO?

With the organisations we work with, a common set of points are articulated and drive the decision to implement a project management office.

Project failures. Too many projects are late or not delivering the results envisaged. The quality of deliverables is poor or the customer is dissatisfied.

Cost reduction. Duplicate projects are happening in the organisation, cost estimates vary to the actual project costs incurred, projects are inadequately funded.

Insufficient information. Management do not understand what projects are being executed and the status of the projects. Management learn about projects only when they are in trouble. What information management does have about projects is out of date or inaccurate.

Poor start up process / kill decisions. Projects start up without any analysis or strong business case - who shouts loudest gets. Once projects are underway they are not regularly assessed or reviewed to decide if they should continue.

Nearly 70% of organisations that have implemented a PMO report that project success rates have improved significantly.

(Source: Gartner Survey)

Creating a project management office (PMO)

High performing project organisations deploy approximately 20% more key PMO capabilities than comparable organisations.

(Source: Centre for Business Practices)

Resource issues. There is no way to forecast the resource needs for committed and prospective projects. Some resources are over allocated while others are under allocated. The current skills in the organisation are poorly aligned to the needs of the projects the organisation wants to execute.

Poor project management practices. Projects are run in an ad-hoc way and don't share any standards, best practice or lessons learned. New project managers find it difficult to get up to speed and it is difficult to re-assign project managers between projects.

Services the PMO provides

Organisations must determine the scope of the PMO and the services it provides to its customers in the wider organisation. The services initially provided may only be a subset of those listed below, but as the PMO maturity grows, so can the services it provides.

Project process, standards and template development. The PMO can develop a set of practices, standards and templates for managing projects.

Consolidating and analysing data. The PMO can provide a central data capture, consolidation and analysis function feeding into other services such as status reporting, dashboards and decision support. This can include financial and timesheet information.

Project execution. If the project managers belong to the PMO, project management services can be provided.

Status reporting and dashboards The PMO can develop standard reports and dashboards for communicating project and portfolio status to stakeholders.

Reviews of projects. If the project managers belong to business units, the PMO can provide a quality assurance function to check projects are following the organisation's standards for project management.

Development of decision support tools. The PMO can develop tools for evaluating projects such cost / benefit models.

Guidance and advice for project managers. The PMO can develop into a centre of excellence for project management and provide guidance, training and assistance to project managers.

Project inventory. The PMO can maintain a central inventory of projects.

Resource allocation. The PMO can hold an inventory of the skills in the organisation and facilitate the resource planning and allocation process.

Creating a project management office (PMO)

Demand management. The PMO can maintain an inventory of the demands being made on resources (both new projects and changes to existing projects).

Project evaluation. The PMO can facilitate the project evaluation process and develop scoring and prioritisation models. Furthermore the PMO can implement a project request process and ensure that requests for new projects are sufficiently detailed for assessment.

Centralised vs. decentralised PMO

Most organisations organise their PMO into either centralised or decentralised models. In a centralised PMO the project managers work for the PMO and run projects for the business units. Whereas in a decentralised PMO, the project managers form part of the business units and the PMO takes on a consultative and guiding approach.

Some benefits of a centralised PMO:

- Easier to control and implement standards.
- Easier to consolidate information.

Some benefits of a decentralised PMO:

- PM's have better domain experience.
- Can be suited to highly technical projects.

Who is sponsoring the PMO?

The PMO sponsor needs to be at a senior level in the organisation such as CFO, CIO, CTO. To identify the sponsor, it helps to keep in mind the reasons the organisation is implementing the PMO.

The sponsor must be a sales person for the PMO and able to drive through the cultural and process changes that will occur on the PMO journey.

People in the PMO

The people required in the PMO will depend on the scale of the organisation and the services provided. Typical PMO roles include:

PMO leader. Sets the strategic direction for the PMO.

Project manager(s). Executes the projects.

Resource manager(s). Manages the resource forecasts and capacity plans. Makes decisions on allocation of named resources to projects based on the skills the projects need.

Creating a project management office (PMO)

PMO analyst. Data analysis, data input, data collection, dashboard and report production.

Process expert. Working to define, refine and implement processes in the PMO and the business units around project management excellence.

Project, programme or portfolio PMO

The scope of the PMO needs to be considered across projects, programmes and portfolios. Not all organisations may have reached a level of maturity where they have defined programmes or portfolios.

Project. Here the focus is at the project level including scheduling, deliverable management, issue management, risk management, actuals tracking and finance.

Programme. Here the focus is coordination of projects. Functions will include programme planning, programme level issue and risk management, budgeting and delivery tracking.

Portfolio. Here the focus broadens to include project selection, investment decisions, resource allocation, benefit and risk assessment.

The PMO may move through these levels as its maturity grows and initially may just have a project focus with a limited number of services delivered. However when setting up the PMO, organisations should map out their 2-3 year roadmap and ensure they plan accordingly.

PMO tools

The range of services provided by a PMO can include data analysis, data capture, reporting and communication. In start up PMOs spreadsheets are often used for these functions. However the need for a purpose designed software tool to support the PMO process and service delivery quickly becomes apparent due to the difficulties involved in running a PMO in a spreadsheet based environment.

A tool like iPlanWare can provide an end to end solution for the PMO including timesheets, process control, status reporting, dashboards, financial analysis and providing a central repository of project data.

For organisations with a project portfolio management (PPM) focus, iPlanWare can also deal with project requests, demand management, portfolio scoring and portfolio review.

When considering a software tool for use in the PMO, the organisation should consider the following needs and desired features:

A range of software tools are now available to make the PMOs activities and processes easier to manage and more efficient.

While spreadsheets are often used initially, they can quickly burden the PMO with inflexible and cumbersome working practices.

Creating a project management office (PMO)

- Dashboards and communication.
- Reporting and analysis.
- Planning tools (plus integration with tools such as MS Project).
- Workflow and process definition.
- Template support.
- Timesheets.
- Issue and risk management.
- Project accounting (budget, cost and revenue tracking).
- Integration with existing software (ideally web services).

Working alongside a PMO software tool, the PMO will normally have to create a range of template documents such as business case, project charter and project plan templates. Often these are integrated into the PMO software package.

iPlanWare is the tool of choice for organisations that want to optimise their project, portfolio & resource management.

Our on demand or on premises solutions can be rolled out in days and provide value in weeks.

Visit www.ipanware.com for further information.

About iPlanWare PPM

iPlanWare is an on demand project, portfolio and resource management solution and is used by some of the most dynamic and innovative organisations in the world to optimise their project and PMO practices.

Customers across a range of sectors and geographic locations leverage the power of iPlanWare to optimise their project management, resource management and portfolio planning.

Our customers span sectors as diverse as IT, healthcare, consulting, technology, media, government, telecommunications and not for profit.

Learn more about iPlanWare by visiting www.ipanware.com.