

Is there a place for a Project Management Office (PMO) in small and mid-sized businesses?

Introduction

PMO Overview (according to Wikipedia):

The Project Management Office (PMO) in a business or professional enterprise is the department or group that defines and maintains the standards of process, generally related to project management, within the organization. The PMO strives to standardize and introduce economies of repetition in the execution of projects. The PMO is the source of documentation, guidance and metrics on the practice of project management and execution.

A good PMO will base project management principles on accepted, industry standard methodologies such as CMMi or RUP. Increasingly influential industry certification programs such as ISO9000 and the Malcolm Baldrige National Quality Award (MBNQA) as well as government regulatory requirements such as Sarbanes-Oxley have propelled organizations to standardize process. Organizations around the globe are defining, borrowing and collecting best practices in process and project management and are increasingly assigning the PMO to exert overall influence and evolution of thought to continual organizational improvement.

90% of projects do not meet time/cost/quality targets. Only 9% of large, 16% of medium and 28% of small company projects were completed on time, within budget and delivered measurable business and stakeholder benefits. There are many reasons for such failures. As per a KPMG survey of 252 organizations, technology is not the most critical factor. Inadequate project management implementation constitutes 32% of project failures, lack of communication constitutes 20% and unfamiliarity with scope and complexity constitutes 17%. Accordingly, 69% of project failures are due to lack and/or improper implementation of project management methodologies.

Background

The company whose PMO experience is featured here is a rapidly growing small business that provides business process outsourcing services in the travel industry, focusing on the exploitation of the internet to grow top and bottom lines its customers. The company operates in a fast changing environment and needs to be acutely in touch with its customers' needs and

respond more rapidly than before. The company created its Project Management Office (PMO) in the last 6 months prior to this article. Following is a review of the company's experience with setting up its PMO conducted with the Director of the PMO.

What circumstances at the company led to the establishment of your PMO?

Prior to the Director's appointment, the company had managers on staff with project management duties, but there were no repeatable, consistent processes, tools and templates to perform projects, measure and control them. Each manager did what they thought best, knowledge sharing was informal and rare, certainly not something expected by top management.

After the acquisition of a major client that presented the company with some new challenges in delivery of services, Management realized the need for some formalization of project management practices. At the time the company was a small company, less than \$50 million in revenues. This new client's impact on their operations and financial health was very significant.

Thus, the PMO concept was spawned at the company. Its initial goals were to:

1. Build structure and templates to help project managers perform their work
2. Achieve a higher degree of predictability and success around project success
3. Improve knowledge of what was needed to do it better next time – a continuous loop of process improvement
4. Help manage the constantly changing environment (business model, client demands etc.).

The Guiding Principles behind the formation of the PMO were:

1. Provide oversight and governance to all company initiatives (projects)
2. Manage a common project management methodology consisting of processes, best practices and templates
3. Facilitate project communications across the organization
4. Provide training on project management competencies (methods, tools etc.)

5. Provide coaching to project managers where requested
6. Track basic information for all projects in a common, consistent format
7. Track and publish organization wide metrics on project activities
8. Perform project audits (before, during, after) to assess compliance with standards.

What differences do you see between a large and small company PMO?

The PMO Director sees no big difference between large and small companies in the fundamentals of a PMO; although clearly the larger companies have more complexity, require more levels of governance, allocate greater resources and funding to their PMO operations and generally have achieved more maturity in their PMOs.

In this company's case, the key influencing factor was that the initial beneficiary of PMO activities was the external customer base. Business growth coupled with increasing client demands for functionality created an increase in the number of projects that needed to be executed. The company's ability to acquire and retain major clients would be severely hampered if it could not deliver to those clients on time, and so the level of risk for the organization was far higher than if these projects were inward facing.

The PMO Director, in collaboration with the resident project managers, was charged with creating a project lifecycle (PLC) methodology, which was built on 5 D's – Discover, Define, Design, Develop and Deploy. In addition to the 5 D's, "Pre" and "Post" phases exist to validate business ideas in a formal and consistent manner before they could consume further resources of the company. This effort started with the development of templates to help business sponsors with taking their ideas and concepts through a disciplined process that addressed goals, objectives, alignment with corporate strategy, and a high level cost/benefit estimation.

At the end of the "Pre-Project" stage, the PMO Governance Committee reviews the Project Initiation document and gives it a "thumbs up/down" vote. If approved, the next step is to create a Project Charter that examines issues like Organizational Impact, Risks and Mitigation Plans, more detailed Cost & Benefit analyses, identification of possible implementation methodologies and a review with the IT department regarding resource requirements. Again the Governance Committee reviews the project at this stage before detailed planning is allowed

to commence. This review and approve process is repeated between each stages of the project.

Cristina stated that the company is beginning to yield clear benefits from the methodology:

- Repeatable, consistent processes that are easy to understand and which avoid creating an excessive burden on people
- The Project Governance Committee has to make hard decisions based on solid facts, especially when demand for resources exceeds the company's capacity to provide them, or when projects fail to meet the criteria/deliver value to continue.

How did the organization react to the formation of the PMO – initially and later on?

Interestingly enough, the awareness for a PMO structure developed with the company's senior leadership, as they were acutely aware of business issues and client demands. While the PMO was not initially described as a PMO, the fundamentals were articulated and clearly supported. Furthermore, the lack of past success with delivering projects on time, on budget and with high levels of customer satisfaction had made it very clear that the organization needed to implement a repeatable process that would be able to support the rapid growth strategies for the company. This top level initiation is in contrast to many other situations where it is middle management who has to argue the case to senior management for a PMO to help the organization and who often battle to get buy-in from senior management.

In addition, the company decided that the PMO would be an Enterprise PMO, not an IT PMO, although most of the capital spent is on IT-related projects, given the nature of its business. The PMO functions as an independent entity that oversees all initiatives that are developed within the company.

The company's situation enabled the PMO to be better accepted because of that level of commitment from the outset; however, as is human nature, people are naturally inclined towards the routines they know and use daily, and changing to the new and unknown meant many people had to step outside their comfort zones. Given the large IT component of projects, the PMO Director invested heavily in working with his IT colleagues to solicit feedback

to continuously refine the tools, templates and processes of the Project Lifecycle. Making the PMO and its activities a team effort was key to having it accepted as part of the corporate fabric.

Next steps in the enhancement of the PMO include:

- Publishing a refined SDLC (software development lifecycle) as a sub-component of the Project lifecycle
- Introducing a document management & collaboration tool (example: to improve the process for managing and responding to client RFP's that often require input from multiple experts in different functions within the company)
- Creating a PMO portal for the organization.

How did you deal with the challenges of forming the PMO and putting it into action? What worked and what needed some tweaking?

First, having senior management support for the PMO as an Enterprise PMO that is independent was a major enabling factor to getting the PMO up and running. Since then, the PMO has sought to reduce the burden on project managers by looking for every opportunity to streamline and re-use project data to support project reporting. Earlier on, the individual project managers had to prepare different versions of essentially the same data to report to different constituents. As the PMO Director and team developed new governance reports on project activities, the company has been able to reduce the overhead effort and improve the quality of reporting.

The role of the Governance Committee has also evolved where its main focus is on the approval of initiatives and management of the entire project portfolio versus authorized annual spend, not the management of project status. Through standardized project reporting, the Governance Committee only pays attention to projects coded "Yellow" or "Red", where focus and "hard decisions" are required to ensure the project goals and objective can be attained.

The use of a standardized PMO process has helped the company move projects properly through each of their phases, by making use of "Stage Gate" controls to insure the goals and

outputs of each phase (e.g. required exit criteria and artifacts as documented within the PLC) are completed before the next phase starts. Within the PMO itself, the processes used to provide oversight are also being improved continuously.

TSI Perspective

It is TSI's experience that small and mid-sized companies need a PMO "function" as much, if not more, than large companies for the following reasons:

1. They often are more resource constrained than larger companies
2. Smaller and mid-sized companies are frequently taking on projects such as ERP implementations that can "make or break" the company. Projects of this nature benefit greatly from a PMO function
3. Some smaller organizations lack project management and other skills typically found in PMO functions and implementing a PMO function boosts those skills in a hurry.

Starting a PMO

TSI suggests putting in a PMO function first by standardizing Project Management tools and techniques and starting with part-time resources. Then, grow the PMO as resource needs dictate by adding FTEs and other tools in the PMO in a methodical and deliberate fashion. As shown above, a PMO organization can be developed in a rapid fashion and is a sound way to help achieve the changes necessary to succeed. Whether the PMO provides oversight or actually directly manages projects is a case driven by each organization's needs.

What are the telltale signs that a PMO might be right for your company?

- Projects flounder and do not produce the desired results
- People are working harder, but measurable results are not visible/outcome is not positive
- The projects need more than just project management; they need process management and change management and there is a lack of skills to provide to those who need it.

If some of these signs resonate with you or your organization, consider how a PMO could help you eliminate these pain points and help you succeed in executing your business strategies.

For more information please email Dan Feely, Managing Partner, or call him at 847-705-0960 ext 202.

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