Is There a Place for a Project Management Office in Smaller Businesses?

Establishing a PMO can help organizations better manage resources and achieve desired results on a more consistent basis.

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WHAT IS A PMO?

According to one definition, the project management office (PMO) in a business enterprise is the department or group that defines and maintains the standards of process, generally related to project management, within the organization. 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 the Project Management Book of Knowledge, capability maturity model integration or even a more software-development-oriented approach like the rational unified process. Increasingly influential industry certification programs, such as ISO 9000 and the Malcolm Baldrige National Quality Award, as well as government regulatory requirements like Sarbanes-Oxley, have propelled organizations to standardize many processes. Organizations around the globe are defining, borrowing and collecting best practices in process and project management and are tasking the PMO with exerting overall influence and evolution of thought for continual organizational improvement.

Clearly the need is there. An article from the July 2003 issue of *CIO* Magazine, "Best Practices for Project Management Offices," highlighted that "Companies are creating PMOs to improve project success rates, to implement standard practices and to lower costs, and they are finding that employing key practices like providing standard methodologies and linking projects to company strategy are helping the organization meet financial and strategic goals."

Further, the Project Management Institute (www.pmi.org) also cites findings and statistics illustrating the high percentage of projects that do not meet time, cost or quality targets. And as you can imagine, bigger initiatives have far less likelihood of being completed on time, within budget and without reducing the needed scope.

Smaller and midsize organizations seem to be "at risk" from a project success standpoint due to the resource constraints often endemic within organizations with revenues of less than $750 million. Many organizations of this size tend to find a qualified project manager and then hope the pieces all fall into place. As stated in the PMI Executive Guide[1], it is clear that this approach will not produce sustainable results. "An effective project management framework produces results for an entire organization, whereas a really good project manager produces results only for the project he or she works on," says Michael J. Cunningham, CEO of software and consulting firm Harvard Computing Group.

Many organizations focus so much on satisfying customers, getting their products and services to market and hiring the right talent, that when it comes to developing finely tuned project management processes and tools, they install project software and hope for the best.

This paper is based upon the PMO experience of a rapidly growing small company that provides business process outsourcing services in the travel industry, focusing on the exploitation of the Internet to grow the top and bottom lines

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STRATEGIES FOR SUCCESS

of its customers. The company operates in a fast-changing environment and needs to be closely in touch with its customers' requirements. The company created its PMO in the six months prior to this paper's composition. The following is a review of the company's experience according to the director of the PMO.

WHAT CIRCUMSTANCES LED TO THE ESTABLISHMENT OF THE PMO?

Prior to the PMO director's appointment, the company had managers on staff with project management duties, but there were no repeatable, consistent processes, tools or templates for measurement and control. Each manager did what she thought best, and knowledge sharing was informal and rare; certainly not something expected by company leadership.

Interestingly, it was the company's senior leadership that first had awareness of the PMO concept, as they were the ones most acutely aware of business issues and client demands. After the acquisition of a major client, which presented the company with some new challenges in the delivery of services, management realized the need for some formalization of project management practices.

In this company's case, the initial beneficiary of PMO activities would be 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. So the level of risk for the organization was far higher than if these projects were inward-facing.

Given the nature of its business, the company decided that its PMO would be an enterprise PMO, not an IT PMO, although most of the capital spent was spent on IT-related projects. It functions as an independent entity that oversees all initiatives developed within the company.

While it wasn't initially designated by name as a PMO, the fundamentals were articulated and clearly supported. Prior to the acquisition, the company was small – less than $50 million in revenues. The
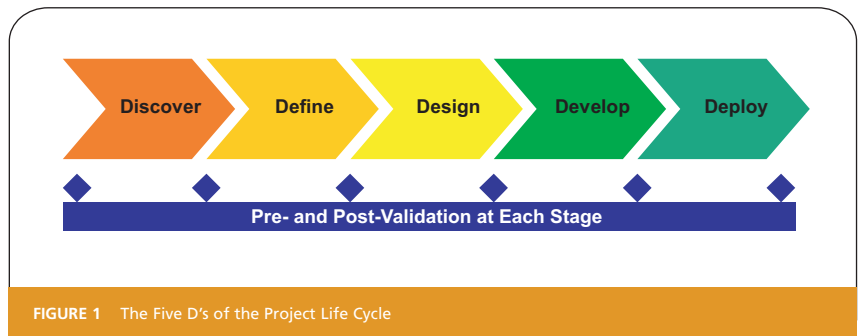

FIGURE 1 The Five D's of the Project Life Cycle

addition of the client's business had a significant impact on the company's operations and financial health. Furthermore, the lack of past success in 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 to support the company's rapid growth strategies.

This top-level initiation is in contrast to many other situations, where it is often middle management that has to argue the case for establishing a PMO and battle to get buy-in from company leadership.

Thus the PMO concept was espoused by the company to:
- Build structure and templates to help project managers perform their work;
- Achieve a higher degree of predictability around project success;
- Enhance understanding of how things could be done better – a continuous loop of process improvement; and
- Help manage a constantly changing environment (business model, client demands, etc).

The primary objectives of the PMO were to:
- Provide oversight and governance for all company initiatives (projects);
- Develop a common project management methodology consisting of processes, best practices and templates;
- Facilitate project communications across the organization;
- Provide training on project management competencies (methods, tools, etc.);
- Provide coaching to project managers where requested;
- Track basic information for all projects in a common, consistent format;
- Track and publish organizationwide metrics on project activities; and
- Perform project audits (before, during, after) to assess compliance with standards.

The PMO director, in collaboration with the resident project managers, was charged with creating a project life cycle (PLC) methodology, which was built on five "D's" – discover, define, design, develop and deploy. In addition, "pre" and "post" checkpoints exist to validate business ideas in a formal and consistent manner to avoid wasting company resources (see Figure 1).

At the end of the discover stage, the PMO governance committee reviews a project initiation document and gives it a thumbs-up or -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-and-benefit analyses, identification of possible implementation methodologies and a review with the IT department regarding resource requirements. In other words, the governance committee reviews the project at this stage before detailed planning is allowed to commence. This review and approval process is repeated between each stage of the project.

The PMO team started by developing templates for business sponsors to take their ideas and concepts through a disciplined process that addressed goals, objectives, alignment with corporate strategy and a high-level cost/benefit estimation.

Early commitment from the company's top leadership led the PMO to be accepted more readily across the company. Human nature, however, dictates that people are naturally inclined toward the routines they already know and use daily. Changing to the new and unknown meant many peo-

ple had to step outside their comfort zones. Due to the large IT component of projects, the PMO director invested heavily in working with his IT colleagues and solicited their feedback to continuously refine the tools, templates and processes of the project life cycle. Making the PMO and its activities a team effort was key to its acceptance as part of the corporate fabric.

BENEFITS

Within the first six months, the director says his company is beginning to yield clear benefits from the methodology, such as having repeatable, consistent processes that are easy to understand and that avoid creating an excessive burden on workers. The project governance committee has had 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 and deliver value.

Senior management's support for the creation of an independent, enterprise-wide PMO was a crucial enabler to getting it up and running. Since its inception, the PMO has sought to reduce the burden on project managers by looking for every

tle reference to other projects and their resource demands. Through standardized project reporting, the governance committee only pays attention to projects coded "yellow" or "red," where its "hard decisions" are required to ensure that project goals and objectives can be attained.

The use of a standardized PMO process has helped the company move properly through each project phase by using "stage gate" controls to ensure 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.

Next steps in the enhancement of the PMO include:

• Publishing a refined software development life cycle as a component of the project life cycle;

• Introducing a document management and collaboration tool (e.g., to improve the process of responding to client RFPs, which often require input from multiple experts in different functions within the company); and

> ## As unbiased third parties, TEM vendors can be viewed by customers as a refuge.

opportunity to streamline and reuse project data to facilitate their reporting activities. Previously the individual project managers had to prepare different versions of essentially the same data to suit 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 to focus mainly on the approval of initiatives and the management of the entire project portfolio, not just reviewing each project's status with lit-

• Creating a PMO portal for the organization.

The director sees no significant difference between the PMO function in large versus small companies, despite the fact that larger companies clearly 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.

Indeed, small and midsize companies need a PMO function as much, if not more, than large companies for the following reasons:

> ### TELLTALE SIGNS THAT A PMO MIGHT BE RIGHT FOR YOUR COMPANY:
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> • 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

• They often are more resource-constrained than larger companies;

• Smaller and midsize organizations often take on projects such as ERP implementations that can "make or break" the company. Projects of this nature benefit greatly from a PMO function; and

• Some smaller organizations lack project management skills; implementing a PMO function rapidly boosts those skills.

STARTING A PMO

Companies can establish their own PMO function by first standardizing project management tools and techniques and starting with part-time resources. They can then grow the PMO as resource needs dictate by adding full-time employees and other tools in a methodical and deliberate fashion. As shown here, a PMO organization can be developed in relatively short time and is a sound way to help achieve the changes necessary to succeed. Whether the PMO provides oversight of projects or directly manages projects is determined according to each organization's needs.

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

ENDNOTE

1. http://www.pmi.org/prod/groups/public/documents/info/ap_execguidetopm.pdf

More information and additional material can be found online at

www.midmarketstrategies.com/25217