

EXECUTIVE SUMMARY

- **PMO Misconceptions.**
 - Department or Concept?
 - Interference with other teams
 - Too complicated
 - Large expenses
- **PMO A La Carte:**
 - Five-step process
 - Three Models of PMO
 - PMO Matrix
- **Discussion of pros and cons of:**
 - PMO Light,
 - PMO Standard
 - PMO Advanced
- **PMO Development Paths:**
 - Gradual
 - Freestyle
 - Frontier

GLOSSARY

- **OPM3** - Organizational Project Management Maturity Model is a model for assessing the organizational project management maturity
- **SDLC** - System Development Life Cycle
- **Audit** - An examination and verification of a company's project records to verify their accuracy and completeness.
- **Mentoring** - The process in which an experienced colleague is assigned to an inexperienced individual and assists in a training or general support role.
- **Strategic Resource Management** - long-term resource needs forecasting and allocation to projects.
- **Portfolio Management** - A business process by which a business unit decides on the mix of active projects, staffing and dollar budget allocated to each project.

PMO A La Carte: Advantages and Challenges

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INTRODUCTION

Several years ago I had a very interesting experience with a company that was looking for a Project Manager. The interview was conducted by a very serious and intense Software Development Director and a quiet but even more intense HR Manager. The interviewers proceeded with a myriad of highly technical questions from various areas of project management and business analysis. "What is the difference between PERT and CPM? Pros and cons of Qualitative vs. Quantitative Risk Analysis? What is 'decomposition' and 'WBS'?"

Luckily I was in the process of preparing for the PMP exam, so I managed to handle most of their questions. However, I have to admit, I was deeply impressed. For the first time I came across a group of people who knew a lot about project management and there was a chance I would be working with them! The interview was running its course when I was invited to ask questions of my own about the company. And I raised a simple question, "So, what PM and/or BA methodologies are you, guys, using?" The answer was absolutely overwhelming. "We don't use ANY methodologies", said the Director. Hoping I misunderstood him, I inquired whether they were looking for someone to help them out with the implementation of such processes. "Not really, we are happy the way things are proceeding", came an icy reply from the HR Manager. At that point of time I lost my cool and (against my better judgment) exclaimed, "But what do you need a Project Manager for then?"

Of course not all companies have such horrible misconceptions about project management. However the most popular approach is still based on the following philosophy:

1. We don't have a methodology in place
2. There is no time and/or money to implement one
3. We will hire a PM and/or BA
4. Everything will miraculously fall into place.

The introduction of the Project Management Office concept has provided project managers with some glimmer of hope. However, so far it is usually large technology-oriented companies like Hewlett-Packard, Boeing and HSBC that have embraced PMO and were successful in their implementations. Small and medium sized businesses usually have three possible reactions when PMO is mentioned to their CEOs:

1. PMO means creating a large team that would interfere with the work of all other departments
2. PMO is something infinitely complicated and is too cumbersome for our business model, i.e. "a riddle wrapped in a mystery inside an enigma"
3. PMO implies large expenditures on things that are not justified in our environment

Unfortunately what small and medium-size business owners fail to see is that PMO is a flexible concept (and not necessarily a department) that can be as extensive or limited as the stakeholders want it to be. In this article I'll try to touch upon several PMO models that can be deployed based on the company complexity, size and the preferences of the management.

FIVE-STEP PROCESS

Development of standard methodology:

- Development of templates and processes
 - SDLC
 - PM
- PM software implementation
- Standards and Metrics

Consulting, training and mentoring

- Template depository
- Intranet website
- Internal and external courses
- Manuals
- Project repository

Audit and enforcement

- Checks
- Performance reviews

Project Resource Management

- Hiring additional PMs and BAs
- Performance reviews
- Assigning PMs, BAs and technical resources (e.g. developers)

Project Portfolio Management

- Project monitoring, tracking and reporting
- Metrics collection
- Project selection and prioritization
- Strategic resource planning

PMO A LA CARTÈ

Five-step Process

For simplicity the PMO introduction process can be broken down in five consequent steps:

1. Standard methodology development
2. Training and consulting
3. Audit and enforcement
4. Project resource management
5. Strategic project portfolio management



The interesting issue about this logical chain is that a company can't jump from Step 1 to, say, Step 3 in the process. It is really counterintuitive to expect your project teams to adhere to a certain methodology if the process wasn't explained to them in detailed way. Likewise, it would be very difficult to create a long-term resource allocation plan (Step 4) if the team is following PM methodology in a haphazard fashion (i.e. Step 3 is missing). In other words senior management will have to ensure (in whichever way it sees fit) that the methodology is accepted and used uniformly by all relevant departments of the company first.

Hence the first rule of the game is that you can't skip steps in the process. Having placed this constraint, it is also worthwhile to inform everyone interested that there is a certain degree of autonomy associated with the process. Not everyone is expected or required to go all the way up the pyramid. Depending on the nature of the business, company culture, complexity of the projects, etc. the management could decide that once the process is established, explained and taught to every employee they all can live happily ever after.

Example? Think of a small catering business. They get orders (projects) on an ad hoc basis. Once the customer calls, the employee should be able to fill out in an appropriate form, prepare the sandwiches in accordance to recipes

and health safety regulations, put them on the tray and drive them to the customer's location. So, all catering businesses follow Steps 1 to 3. One may ask whether they would benefit from long-term resource allocation and/or portfolio management. The answer is ... yes, they most definitely would! In theory. However in real life the costs associated with implementing Steps 4 and 5 will be so high that they will greatly outweigh any benefits derived from it. For example, should the catering business owner hire statistics whiz who would predict demand fluctuations for the next year or just hire one of his friends or relatives to help him out in busy times?

But let's get back to our model. To sum up the above facts:

- The pyramid has five steps
- You can't skip steps in the pyramid
- You can choose how high you want to go

PMO LEVELS

- **PMO Light**
- **PMO Standard**
- **PMO Advanced**

PMO Light

Development of standard methodology:

- Develop basic, key templates and processes
 - SDLC
 - PM
- Start PM software implementation
- Develop basic Standards and Metrics

Consulting, training and mentoring

- Create template depository
- Conduct internal seminars
- Create a Project repository

Audit and enforcement

- Following PM methodology is encouraged

PMO Levels

However there is one more dimension to the PMO implementation process – the sophistication level of the PMO. To simplify the process further we can designate three basic types of the PMO:

1. PMO Light
2. PMO Standard
3. PMO Advanced

It is entirely up to the management of any given company how far they want to advance along this axis. The rule of thumb is: the more complicated the projects and the more predictability and control you want, the more advanced the model gets. In general, as one progresses from *PMO Light* to *PMO Advanced* the power of the Project Office increases and the company shifts from tactical project management to strategic portfolio management. Let us now cross reference the "Five-Step Model" with the PMO levels and inspect the resulting matrix in detail (see PMO Matrix table).

The PMO Matrix

PMO Light

In *PMO Light* environment the company creates certain methodology and key supporting documentation, teaches all relevant parties how to use them and encourages project teams to follow them. In this stage Project Office is a purely mentoring entity. For example one of the first tasks the PMO would be involved in is the development and implementation of new project management and business analysis templates.

Furthermore, Project Office should definitely participate in a deployment of at least a desktop version of project management software. Project managers will have to be trained in using the program and the basic concepts of scheduling and resource allocation will need to be explained to the rest of the employees.

One of the most important things the PMO will have to do is to define and gather certain standard metrics about ongoing projects. This task is especially important because all future results and achievements will be measured against the initial numbers. However, the challenge here is that these figures are not, as a rule, readily available at a company with poor project management practices.

As was mentioned before, PMO will be responsible for introducing the basic concepts of project management and business analysis to the rest of the company, especially to development and marketing teams.

It is also very important that PMO sponsor (i.e. senior executive) announces to all employees that following the new methodology is strongly encouraged

and that it will become mandatory very soon. Project Office should conduct periodic reviews/informal audits of the closed projects and disseminate the results of the studies.

HOT TIP: One of my favorite things to try is to pick a flagship project and make the new methodology mandatory for it to monitor the effects of the new processes.

PMO Matrix

		PMO Light	PMO Standard	PMO Advanced
Standard Methodology Development	1	Yes, some SDLC and/or PM templates are developed	Yes, most relevant SDLC and PM templates are developed and customized to fit company needs	Yes, all relevant SDLC and PM templates are developed and customized to fit company needs. All projects follow strict guidelines
Training and Consulting	2	Yes, some internal seminars are conducted to teach employees the principles of project management.	Yes, some internal seminars are conducted to teach employees the principles of project management. PMP certification is encouraged	Yes, extensive training program combining both internal and external courses is developed. PMP certification is mandatory for project managers.
Audit and Enforcement	3	Yes, following PM and SDLC guidelines is encouraged but not mandatory.	Yes, flagship projects are audited. Certain percentage of performance mark is tied to following PM methodology	Yes, all projects are audited with respect to conformance to the PM methodology . Performance is directly tied to audit results.
Project Resource Management	4	No	Yes, PMO participates in hiring and allocation of PMs and BAs and their performance reviews. Resource allocation is at tactical level.	Yes, PMO owns PM and BA resources and their performance reviews. Resource allocation is at strategic level.
Project Portfolio Management	5	No	No	Yes, PMO Manager is responsible for all aspects of project management including project selection, prioritization and monitoring.
		1	2	3

PMO Standard

Development of standard methodology:

- Continue fine-tuning and customizing of templates and processes
- Continue PM software implementation
- Fine-tune metrics gathering methods

Audit and enforcement

- Shift from encouragement to enforcement
- Performance reviews

PMO Standard

One of the differences between this stage and the *PMO Light* is that we can see a mix of improvement of the capabilities that have already been developed in conjunction with creation of new processes.

PMO Standard implies having at least a basic methodology in place. At this stage all the relevant parties within the company are relatively familiar with the basic project management documents and processes. Project managers are using PM software for basic scheduling, resource allocation and other planning tasks.

One of the “improvement” tasks the Project Office will be responsible for is fine-tuning of project methodology and training. Templates will increase in numbers and quality. Training will expand and include a mix of internal

PMO Standard (continued)

Consulting, training and mentoring

- Create a PMO Intranet website
- Internal and external courses
- Create manuals
- Continue developing Project repository

Project Resource Management

- Hiring additional PMs and BAs
- Performance reviews
- Start assigning resources

PMO Advanced

Development of standard methodology:

- Maintain templates and processes
- Shift to the Enterprise version of PM software
- Continue metrics gathering and analysis

Consulting, training and mentoring

- Standardization of training programs

Audit and enforcement

- Quarterly audits of key projects
- Performance reviews

Project Resource Management

- PMs and BAs report to PMO

Project Portfolio Management

- Project monitoring, tracking and reporting
- Metrics collection
- Project selection and prioritization
- Strategic resource planning

seminars and lunch-and-learns as well as external courses provided by independent consultants.

Also the company will have to make a very tough decision on moving from encouraging to enforcing of project management methodology style. At least some portion of the performance mark received by team leads, project managers and business analysts will depend on their conformance to the process. PMO should join forces with functional managers in providing such assessments.

Furthermore, the Project Office should start assessing the short to medium term needs of the business with respect to staffing levels for PMs and BAs. For example, the industry standard is that 20% of time invested into average project is taken by the PM. Thus by having a rough forecast of the number of projects in the next quarter and average time spent on each project, PMO can provide the estimates for the number of PMs need by the company.

PMO Advanced

And finally the last stage of the PMO process – *PMO Advanced*. This stage is characterized by maintenance of the existing stages and creation of a new one – Project Portfolio Management.

The maintenance tasks basically amount to finalization of the company-wide project management methodology, standardization of training programs, their tie-in to performance reviews and implementation of regular audits.

Company should also consider (if it hasn't considered earlier) a shift to the enterprise-level project management software with timesheet capability. Once again metrics gathering and analysis are very important in keeping the senior management informed about the improvements brought around by the PMO.

In the project resource management area all PMs and BAs should now be reporting to the PMO and short-term (tactical) resource assignment should be done by a joint efforts of the PMO and Software Development departments.

The introduction of tactical resource allocation is the first step towards the strategic resource planning. At this point of time company should have a good idea (i.e. $\pm 10\%$ degree of certainty) about the following issues:

- How many projects do we expect in the next 6-12 months?
- What is the expected size of each project in terms of elapsed time, man-hours and dollar value?
- How will PM, BA, development and QA resources be allocated to these projects?
- Do we have enough resources to cover our needs in the next 6-12 months?
- Are some of the resources underutilized?
- How will the projects be prioritized?
- Will some of the project requests be turned down?
- What is our expected profitability for each project? For each customer?

I hope it is obvious by this point of time that having relatively accurate answers to the questions above is impossible until all the previous steps in the pyramid have been tackled successfully.

Advancing Through The Matrix

There are several ways for a company to progress through the PMO Matrix. These include:

- Gradual Approach,

Gradual Approach

PMO Light	PMO Standard	PMO Advanced
Yes, some SDLC and/or PM templates are developed	Yes, most relevant SDLC and PM templates are developed and customized to fit company needs	Yes, all relevant SDLC and PM templates are developed and customized to fit company needs. All projects follow strict guidelines
Yes, some internal seminars are conducted to teach employees the principles of project management.	Yes, some internal seminars are conducted to teach employees the principles of project management. PMP certification is encouraged	Yes, extensive training program combining both internal and external courses is developed. PMP certification is mandatory for project managers.
Yes, following PM and SDLC guidelines is encouraged but not mandatory.	Yes, flagship projects are audited. Certain percentage of performance mark is tied to following PM methodology	Yes, all projects are audited with respect to conformance to the PM methodology. Performance is directly tied to audit results.
No	Yes, PMO participates in hiring and allocation of PMs and BAs and their performance reviews. Resource allocation is at tactical level.	Yes, PMO owns PM and BA resources and their performance reviews. Resource allocation is at strategic level.
No	No	Yes, PMO Manager is responsible for all aspects of project management including project selection, prioritization and monitoring.
1	2	3

Freestyle Approach

PMO Light	PMO Standard	PMO Advanced
Yes, some SDLC and/or PM templates are developed	Yes, most relevant SDLC and PM templates are developed and customized to fit company needs	Yes, all relevant SDLC and PM templates are developed and customized to fit company needs. All projects follow strict guidelines
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No	Yes, PMO participates in hiring and allocation of PMs and BAs and their performance reviews. Resource allocation is at tactical level.	Yes, PMO owns PM and BA resources and their performance reviews. Resource allocation is at strategic level.
No	No	Yes, PMO Manager is responsible for all aspects of project management including project selection, prioritization and monitoring.
1	2	3

Frontier Approach

PMO Light	PMO Standard	PMO Advanced
Yes, some SDLC and/or PM templates are developed	Yes, most relevant SDLC and PM templates are developed and customized to fit company needs	Yes, all relevant SDLC and PM templates are developed and customized to fit company needs. All projects follow strict guidelines
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Yes, following PM and SDLC guidelines is encouraged but not mandatory.	Yes, flagship projects are audited. Certain percentage of performance mark is tied to following PM methodology	Yes, all projects are audited with respect to conformance to the PM methodology. Performance is directly tied to audit results.
No	Yes, PMO participates in hiring and allocation of PMs and BAs and their performance reviews. Resource allocation is at tactical level.	Yes, PMO owns PM and BA resources and their performance reviews. Resource allocation is at strategic level.
No	No	Yes, PMO Manager is responsible for all aspects of project management including project selection, prioritization and monitoring.
1	2	3

- Freestyle approach and
- Frontier Approach

The Gradual approach was described in the above sections of this paper. It generally implies finishing all the stages belonging to PMO Light level and then proceeding to the initial stages of the PMO Standard. Similarly, once the PMO Standard is established, the company can move to the first step of the PMO Advanced stage. This is probably the slowest of the processes available but, on the other hand, it does allow for a gradual, meticulous advance.

Freestyle approach disregards to some extent the PMO levels; the company starts in the upper leftmost corner of the matrix and proceeds step by step to the lower right corner. This method allows for some flexibility in case the management team feels that horizontal movement along the matrix is preferable. What may be called a “psychological disadvantage” of this model is that there are no clearly defined intermediate milestones in this process.

Frontier approach is the most aggressive of all the strategies described. It implies concurrent wide movement diagonally across the matrix. The major advantage of this method is its relative quickness. However, since the progress occurs at several steps concurrently it may require additional resources dedicated to the PMO and better coordination with other functional departments in the company.

PMO CONCEPT REVISITED

I hope was able to demonstrate by now that the company enters the realms of PMO as soon as it hires its first Business Analyst. Some of the first questions BA should be asking the day he shows up at work (or maybe even earlier) are:

- “What templates should I be using?”
- “How do I handle Change Requests?”
- “Who is the Project Manager of my project and what is my working relationship with him?”

If his boss knows the answers to these questions, I’m sorry, the company is already in the PMO Light stage, whether the management realizes it or not! And if his universal answer to all the above questions is, “I don’t think we are ready for that yet”, then why invest in BA in the first place? What will the Analyst do? He will be expected to produce some sort of Requirements Document; but what template should he use? He can use an outside template, but will it fit the needs of the current company? Will it be accepted at all levels? I guess you can see by now that the list of questions I can ask with respect to this subject is endless...

So what have we learned so far? Here is a list of axioms I hope you would agree with after reading this article:

- Hiring of bunch of PMs and BAs will NOT by itself solve your project management problems
- PMO does not have to be a bulky, expensive department interfering with other teams.
- PMO is not a rigid, complicated entity but a flexible concept that can be as extensive as the company wants it to be.
- Initially PMO can be run by a few people (even one person)

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