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Building the Effective PMO

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AN INTERTHINK CONSULTING WHITE PAPER

This white paper is a compilation of a series of PMO articles written for publication in gantthead.com by Mark Mullaly. The individual articles have been adapted and consolidated to present them as a single white paper. Collectively, these discussionsprovide great insight into the creation, roles and operation of a PMO. More articles on this topic can be found at www.gantthead.com, where Mark serves as Gantthead's subject matter expert head for this topic.

So Where Do I Start?

One of the greatest challenges that we face as we are tapped to develop a PMO capability is the not-so-rhetorical question, "Where do I start?" There are as many different interpretations of the purpose and role of the PMO as there are companies--and arguably, probably a few more. While the stock consulting answer "It depends" is tempting here, it doesn't necessarily provide much value.

The best advice for any organization undertaking the development of a PMO is to treat it as you would any other project. It is, in fact, one of the more complex projects that any of us will manage. The PMO brings the dimensions of process, structure, organization, tools and business transformation into one highly visible, strategically important initiative. Because of this complexity, it is easy to get bogged down in a myriad of details, spending so much time analyzing the problem and its causes that we forget to implement solutions that can help work toward their resolution.

As with any project, the first place we need to start is with an understanding of what has happened in the past to bring us to today. What were the drivers that led up to a PMO being seen as a good idea? While there may be one single factor that finally triggered the initiative, this is typically the proverbial straw that broke the camel's back. It provides the rationale and the reason, but not necessarily the full explanation. There may well be a number of reasons--from failed projects to consultant recommendations to scathing audit reports--that collectively bring the organization to the realization that this whole PMO idea might have some merit.

The more we understand the background leading up to today, the better positioned we are to answer the next question: Just what will define success? And "it depends" is not a viable answer. The development of a PMO is, in most companies, an expensive investment that is not without risk. Any organization that undertakes such a comprehensive initiative expects to see a return that goes well beyond feeling better about how its projects are managed. But what is this return? How will it be measured? How will we know when we have attained it?

For many, the success of the PMO is similar to what defines great art: we may not be able to describe it, but we know it when we see it. Success measures must be objective and quantifiable. These may be defined in terms of a reduction in overruns, delays or support costs of the projects. Success may be reflected in an increased maturity of the organization. We may define it based upon the percentage cost of managing the project relative to its cost of delivery. Or we may evaluate the satisfaction of our customers, sponsors and even our project managers in delivering the project. Whatever the means, the measures must be objective, defined and tied back to the fundamental rationale for the PMO's development.

With success criteria defined, and clear means of measuring them identified, we can begin to take steps toward their attainment. Critical for success is that these steps be tangible, visible and discrete. They must produce results quickly, and they must make a visible impact--even on a pilot basis, for a single project or a handful of initiatives. It is tempting to define a complete strategy and proceed single-mindedly toward its attainment, but it is a temptation that is to be resisted. As with any organizational change effort, people need to perceive value and feel ownership. Change cannot happen in a vacuum. This evolution must take place in the real world, and the successes and failures that are encountered need to influence future progress. By committing to incrementally delivering value, our constituents not only are able to provide feedback, but they are provided with tangible evidence that the focus of the improvement effort is upon helping them.

Finally, as we proceed with development, it is critical that we evaluate success: objectively and often. It is a product of human nature that incremental change is typically not viewed objectively. Once we realize the compelling logic and value of a particular approach, it becomes difficult for us to remember a time that we didn't do it that way. As the idea of a project plan takes root, we can't imagine not

writing one--it just makes too much sense. To measure how far we have come, therefore, we need to know where we were when we set out. A journey of a thousand miles begins with a single step. Repeat as necessary.

Defining and Ensuring a Mandate for the PMO

As with so many projects, the assignment of responsibility for the creation, implementation and staffing of a PMO can lead to the very direct temptation to start building it. And as with any project, yielding to this temptation is dangerous indeed. The creation of a PMO should be no different than any other project--it needs to be understood, defined and planned before we can begin to build it. As with any project, the first thing that we need to do is confirm that we have a mandate. With a mandate, we have both the authority to proceed and an understanding of *how* we should proceed--and where we need to go. Without it, we run the risk of getting nowhere fast.

It is important to recognize that few people wake up one day and say "We really need a PMO." That they *should* is not the point here; they just don't. The creation of a PMO is usually tied to some trigger event, and that trigger is usually some real or perceived pain--where the PMO is seen as the cure for that pain, or at least a valuable aspirin to mask the sensation. In ideal circumstances, recognition of the need for a PMO as a strategically important focal point for project development--as part of an organizational restructuring or change effort. Whether the motivating force is a positive or negative one, however, the first thing that we need to understand is what the motive is and why.

The nature of the role and the purpose of the PMO can vary significantly across organizational types. By knowing the *raison d'etre* for our PMO, we are in a much better position to define what the role and purpose should be, and the services that are critical to be focussed on and delivered immediately. To define our mandate, the following steps are essential:

- **Define who our stakeholders are, and what their expectations are.** In reality, and unlike many projects, there will likely be two sets of primary stakeholders in implementing a PMO: those who are sponsoring the effort and those who the PMO is being established to serve and support. Recognizing this split is critical, as the interests of each of these groups is likely to be different--related, but different nonetheless. In the majority of instances, our sponsor will be the executive or management team that tapped us to take on the role of implementing the PMO and will be concerned primarily with ensuring awareness of project status, increasing the accuracy of project estimates and ensuring the on-time and on-budget delivery of quality projects. Depending upon the nature of the PMO being contemplated, the stakeholders being supported may be the organization's senior management team, the project managers, the project customers, the team members or a combination of all of them.

- **Establish the background that led to the PMO being initiated.** What trigger identified the need for a PMO? What events led to recognition that a PMO was important? If the PMO is being initiated as the result of a series of failed or unsuccessful projects, what were the major influences that led to their failing? If this initiative was the result of a recommendation by a consultant or auditor, what were the factors that influenced the recommendation? If the PMO is being established to provide a focal point for a strategic program or portfolio, what are the critical factors that will determine the program's success? By knowing these drivers, it is possible to identify the factors of greatest concern to our stakeholders. While a PMO should ideally play a broad role in supporting project success, and will be positioned as such, it is these critical factors that need to be focussed on first and will go a long way to demonstrating long-term value.

- **Define the measures of success by which the PMO will be evaluated.** Our stakeholder expectations, and the background that drove the creation of our initiative, provide valuable context. It is the success measures that truly define the nature of our mandate, however--what do we need to be able to deliver in order for the PMO to be considered successful? In defining success measures, however, it is important to recognize that we are both managing a project and implementing a service. In reality, in fact, we are doing both at the same time. It is critical

to demonstrate "quick wins" be providing support, guides, tools and assistance to our key stakeholders, even while the process of creating the PMO is underway.

Developing a Charter for the PMO

It was stated earlier that the implementation of a PMO needs to be treated like any other project: the purpose and objectives must be defined, its implementation must be planned and the plan needs to be executed. In reality, however, there are two plans that must be created: the operational definition of the PMO, and the plan for implementing it. Our mission here is to define the role of a formal PMO charter.

The charter is, in effect, the organizational mandate for the PMO to exist. A charter defines the role, purpose and functions of the PMO. It articulates who the PMO's sponsors and customers are, the services that it offers and the staffing and support structures required to deliver those services. The charter *is not* the project plan for developing the PMO, but instead the statement of what the PMO will do once it is developed. It builds on the mandate that spawned the PMO initiative and defined the vision for the full scope of operations once it is implemented.

To develop the PMO charter, we need to define the following key elements of information:

- **PMO Mandate.** The PMO mandate defines and reminds us of the purpose for which the Project Management Office has been established. *It is the mission statement of the PMO.* A good mandate will identify--in terms that have on-going meaning--what the role of the PMO is, the customers it serves and the needs that it fulfills within the organization. Like the mission of a company, it keeps the staff of the PMO focussed on the role they provide, and clearly communicates to the customers of the PMO the services and support they can expect to receive.

- **Customers & Stakeholders.** The PMO charter needs to identify both the customers and key stakeholders of the PMO. The customers are those groups the PMO exists to provide service to--the sponsors, project managers, project team members and organizational managers who look to the PMO for information, support, assistance and guidance. Most PMOs will have multiple customer groups, each of whom have different expectations of the PMO. It is important to identify not just who the customers are, but also the value they look to the PMO to support. As well, it is necessary to define those other stakeholders who support or provide input to the PMO as it provides its services, and the nature of their involvement with the PMO. Between the customers and the stakeholders, we should be able to map the entire universe of people that the PMO will interface with, and the nature of our involvement with each group.

- **Service Offerings.** The nature of the services that a PMO can provide is broad, spanning a continuum from support to full control of the organization's projects. The primary purpose of the PMO Charter is to define what the actual services are that will be provided to the organization. Included in this definition is an identification of the audience for each service, and the means by which the service is provided. Some services will be demand driven, while others--reporting, for example--are regularly provided on a periodic basis. Who is the service for, how is it offered, what does it provide and does the PMO get engaged in offering it?

- **PMO Structure.** The PMO structure is the organizational structure by which the PMO itself operates. Every key role is identified, as well as the individual staff members that provide each role. The structure provides the framework by which the PMO delivers its services and the responsibilities, authorities and accountabilities that each role has in delivering those services. The roles and responsibilities should be defined in sufficient detail so that they become position descriptions for each role.

- **PMO Success Profile.** Finally, it is essential that we define how the success of the PMO will be evaluated and measured. Going back to our mandate and purpose, the success profile reflects how the PMO will be evaluated in delivering upon its mission. The success profile is defined from two dimensions. The first is the critical success factors that need to be in place for us to

be able to be successful in delivering our mandate. Secondly, we need to define the quantitative measures that can be used in demonstrating that success.

While some of these dimensions are similar to the information that we captured when we defined the mandate, and will serve as input to our charter, there are significant differences in the role and purpose of each document. The mandate sought to quickly confirm understanding of the direction the PMO has been given. The PMO charter, however, is a much more comprehensive and involved definition of how the PMO will be structured, staffed and evaluated. It becomes a critical on-going reference point that governs how the PMO operates.

As important as what goes into a charter for the PMO, however, is how it is developed. While the sponsor of the PMO will have influence in defining the mandate and purpose, and will ultimately approve the carter, it is equally critical to consult with the intended customer community. There can be a strong tendency to respond to executive direction, without engaging in detailed consultations with those who the PMO will ultimately affect. It is important for the core PMO staff to actively engage those who will be involved in the PMO or be the recipients of its services to determine not only what services are relevant, but how best they can be offered.

The PMO charter is essential in defining the operational framework of the PMO. Once established, we are able to identify the plan for the charter's attainment, and deliver on its objectives. Without a charter, the PMO runs the risk of being rudderless, of responding to demands without a clear means of evaluating their validity or prioritizing their importance. With an effective charter in place, the PMO has a clear direction and a firm set of principles to guide it.

Defining the PMO Role: The Quest for Identity

There is an ongoing tension between control and support that every PMO must balance. While there is no question that one aspect of this struggle is purely political, the correct formula for any given organization can be determined by the answer to one fundamental question: "What role does the PMO play in the organization?" Organizational politics aside, the greatest challenge that most companies face is to define what the PMO's purpose should be, and why it is being created.

While this is ideally a question that is asked as a PMO is being established, it is an equally valid one as it continues to evolve. Too many PMOs try to be all things to all people, and struggle with their identity and purpose as a result. As with any entity, the PMO needs a clear mission, one that should be defined based upon the needs of its customers. To define this mission, we first must identify who these customers are. The project managers? Senior management? The project customers? From an understanding of customers can come a definition of requirements, and only at that point can the PMO truly characterize and implement its services.

All of these items sound a lot like what should happen at the outset of a project, and it is absolutely correct to draw that conclusion. Setting up a PMO is a project, and needs to be approached with exactly the same discipline with which any other project would be managed. It is, in fact, a great opportunity for the PMO to walk the walk, to show the rest of the organization what a well-managed project should look like.

A lot of people struggle with the fact that there doesn't seem to be a universal definition of PMO practices and that there isn't widespread agreement on what its purpose should be. It is precisely because the PMO needs to respond to the needs and expectations of its customers that a universal definition will never fully be arrived at.

This is not different from any other organizational entity. Finance departments may be responsible only for accounting, or everything up to and including bond issues and investment management. IT departments may only provide support, or may also manage infrastructure, or may be responsible for systems development and enhancement. The services offered depend upon the requirements of their client community. Moreover, no customer is going to be prepared to fund services or offerings whose benefits they cannot clearly identify.

If we abstract this discussion to a high enough level, however, we can examine the broad range of services that the PMO *might* offer. Again, these services range from pure support to absolute control.

More importantly, the nature of the services and the manner in which they are provided will vary from company to company, but it provides an initial framework upon which to define the offerings that do meet your customers' requirements:

- **Reporting.** At its most basic, the PMO is a central clearinghouse of project status information for the rest of the organization. This may range from simple collection and compilation of project reports to a more involved interpretation and analysis of project results, and recommendations to senior management.

- **Training.** In many organizations, the PMO also serves as the central focus for defining the project management training curriculum. This may involve selecting external providers, developing and delivering internal sessions or taking on HR functions such as career planning and progression.

- **Process Development & Deployment.** The need for process is paramount in promoting consistency in project management practices. Processes may range from formal methodologies to practice guides and job aids, and provide not just project managers but also stakeholders and team members with the information they need to understand their role, and their obligations in completing the deliverables assigned to them. The PMO may develop its own methodology, customize an existing one or purchase one off the shelf and deploy it in its generic form.

- **Tool Selection.** The selection of project management tools will have as great an impact on how projects are managed as the projects they support. The PMO may be involved in evaluation, selection or recommendation of toolsets, which include scheduling tools, knowledge repositories and portfolio and resource management software.

- **Mentoring & Coaching.** Sitting on the fence between support and control is the mentoring and coaching of project managers, team members and stakeholders. This may be as straightforward as information sharing sessions through to formalized mentoring programs and provision of "shadow" project managers to assist new PMs.

- **Audits.** The PMO may take an active role in evaluating the assessment of internal projects through the provision of an internal audit function. This role can range from evaluating the success of projects in delivering their intended outcomes to evaluating project management effectiveness, the relevance and value of the methodology and tools used, and compliance with internal and external standards and requirements.

- **Resource Management.** For some organizations, the PMO also serves as resource manager, monitoring assignment and availability of project managers and team members and serving as a clearinghouse of information to support planning and scheduling projects based upon existing resource commitments. This may range from a simple reporting function to full, hands-on management and allocation of all project resources within the organization.

- **Project Management.** In some companies, the Project Management Office is just that--the place where projects are managed. Rather than a support role, the PMO is fully responsible and accountable for managing projects, and is the organization unit in which all project managers report and are managed. In this context, the PMO is not an administrative centre but in fact or essence has profit and loss responsibility for the projects it manages.

Clearly, the roles that a PMO *might* play span a broad range. All PMOs will not and cannot be all things to all people. The role that the PMO plays in your organization must respond to the demands and expectations placed on it, in order to deliver the value that is being sought. What is important is to first define these expectations, and then identify the services and capabilities that must be delivered as a result. Only then can the PMO play the role it needs to, however it is defined.

The Four Archetypes of the PMO

One of the greatest struggles is the identification of an organizational model that we can adopt as a framework for our development activities. The utmost challenge in this regard is the sheer diversity of frameworks that have been adopted in implementing PMOs in organizations.

A recent research study has documented the realization that there are several archetypes or scenarios that define the majority of PMO frameworks. Choosing the appropriate model, therefore, is determined by our ability to select an archetype that reflects the desired outcomes and to then staying true to this model as we face the tests of responding to specific scenarios.

The key influences on the archetypes we have identified can be reflected by the following matrix:
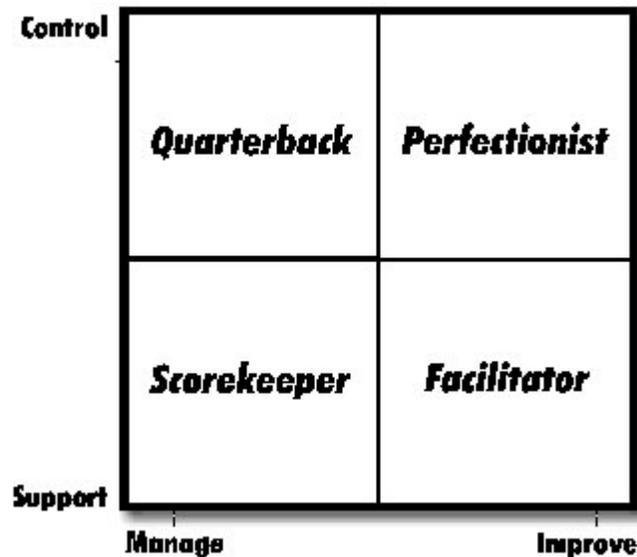
There are two primary dimensions that influence each archetype: the degree of support provided or control exerted over project teams, and whether the focus of the PMO is on supporting the management of projects through existing capabilities or on improving how the organization manages its projects.

The characteristics of each archetype are determined by where they lie along each continuum:

- **Scorekeeper.** At its most basic, the role of the PMO is one of supporting project managers in delivering current initiatives. The principal emphasis is on monitoring and reporting project progress of current projects--in other words, on keeping score. The Scorekeeper archetype serves as a conduit for information about current projects, and managing a clearinghouse of consolidated status updates. They may be responsible for managing a library of historical project information, and for providing interpretations of project status and identification of risks and potential issues to senior management, but they serve a mainly passive role in supporting the organization's projects, similar to that of a corporate accounting function.

- **Facilitator.** The Facilitator archetype approaches the role of the PMO as being an enabler of improvement efforts. Often viewed as a source of best practices and management ideas, the model this archetype supports is largely demand-driven. The PMO will provide support, information and assistance only where requested by its customers. PMO staff does not drive improvement, but they will provide support and assistance when requested. The Facilitator archetype sees the process of identifying improvement objectives as the responsibility of the business itself; their role is to support attainment of these objectives on a reactive, demand-driven basis when requested to do so.

- **Quarterback.** When the pendulum swings along the continuum from support to control, the role of the PMO becomes much more interventionist. The Quarterback archetype is typical of this approach, serving not as a support organization but as the central focus of project delivery. Organizational PMOs modelled after the Quarterback archetype often see the project mangers actually reporting to the PMO, which serves as an internal services organization that not only monitors but actively intervenes to ensure the successful delivery of projects. Often a separate

department or business unit, the PMO in this organizational model is often the central point of accountability for the delivery of organizational projects.

- **Perfectionist.** The Perfectionist archetype is defined by a control focus combined with an emphasis on improvement. The most interventionist of all archetypes, the PMO views itself as a centre of excellence which embodies organizational best practices. The driving assumption underlying this archetype is that the organization does not currently manage projects well, and it is the responsibility of the PMO to drag the organization kicking and screaming into a world of project excellence. Rather than the "pull" driven model of the Facilitator, the underlying principle of the Perfectionist model is very much one of "push." The PMO that embraces this model sees itself as a strong agent of change whose purpose is to overcome resistance and pave the way to a very new management model. It may or may not have the project managers reporting directly to it, but there is no questioning the influence that the PMO plays on how projects are managed.

While the specific details that underlie each archetype will vary slightly from organization to organization, the primary characteristics of each tend to be universal, and a PMO will generally be fairly consistent in reflecting them. Although each model can have its value in supporting transformation and change, it is important to recognize that the archetype the PMO adopts must be reflective of the characteristics and values of the organizations it supports. Where the PMO operates out of step with the organization's values, discord will quickly emerge and without strong executive support it is unlikely that it will serve its role for long. Even where there is strong executive support, it is the rare organization that will support a PMO operating in a manner so clearly contrary to the normal functioning of the organization. Only where there is a compelling and real case for change will this conflict be sustained.

For organizations just launching their PMO, paying a close attention to their choice of archetype can significantly influence the ability of the PMO to successfully promote change. Even where a company has an established PMO, evaluating its role and how well the chosen archetype aligns with organizational values can be critical in ensuring ongoing success. As the organization continues to evolve and the project management practices of the company become more mature, the role of the PMO will need to evolve with it.

PMO Success Measures--A Proposed Model

We have discussed the challenges of defining and demonstrating the success of the PMO, and the failure of many organizations to clearly articulate what success looks like. Given the heterogeneous nature of a PMO across organizations the success measures will vary for each organization, depending upon the role and approach being taken in implementing a PMO. Developing a framework for evaluating success really brings together all of the dimensions of defining a PMO that have been discussed up until now: its role, purpose, structure and the objectives that have been established for it.

It is important that a PMO measure its progress in a formal manner and for this reason a measurement model is required. It is important to note that the framework shown here is not intended to be universal, nor should an organization adopt it wholesale. It is intended only as an example and illustration of how the design principles need to be mapped to the measurement process.

For the sake of example, let's assume that an organization is establishing a PMO to support projects within its IT organization with the following mandate:

- Co-ordinate centralized tracking and reporting of project progress, in order to provide a single and consolidated view of projects

- Serve as a center of excellence in defining and promoting project management practices, and improving the consistency and effectiveness of how projects are managed

- Improve the competence and skill of individual project managers through training, coaching and mentoring

In essence, this focus--typical of many today--articulates the 'Facilitator' model of project management office: one that is primarily support-driven with a strong focus on continued improvement. To be able to define an effective measurement framework for success, it is essential that these overall objectives be translated into measures that represent appropriate proxies for success.

Success of a PMO is not the same as the success of the projects that is supports; measurement therefore requires identification of those unique measures that are appropriate and relevant to measuring the PMOs success. Possible approaches for the major objectives defined above include:

- **Centralized Tracking & Reporting.** Centralization of tracking and reporting is an administrative service function. While it would be simple to create a measure of "number of consolidated reports submitted on time by the PMO," it would not be particularly relevant; this should be a base level of service, not the means by which success if measured. There will be some input measures that are appropriate--percentage compliance of time reports, percentage of projects submitting their reports on time--which will help to monitor the effectiveness of the process. Success, however, depends upon demonstrating the attainment of desired results. If we look at *why* centralized reporting is desirable, some different measures become more appropriate: "reduction in time of status report preparation," "reduction in senior management time reviewing status reports," "reduction in effort consolidating time reports and updating schedules" and "earlier identification of project issues and potential overruns."

- **Serve as a Center of Excellence.** As with the approach to reporting, there are a number of easy metrics that do not lend themselves to demonstration of success: "number of brown-bag presentations," "number of staff trained in the methodology" and "number of staff with copies of the methodology." Again, these are base measures of activity, but they do not demonstrate success. A Center of Excellence is designed to champion improvement of project management; success in this role must reflect this improvement. Possible measures might be "increase in PM maturity against a normalized model," "reduction of project/portfolio cost/schedule overruns," "delivery of project outcomes" and "percentage delivery of project completion/success criteria." These measures focus not on what the PMO is doing, but on the resulting impacts of their actions.

- **Improve Competence & Skill.** What is the success measure of improving competence? If I train everyone, was I successful in increasing competence or skill? If all of our PMs are certified, does that mean they are competent? While raw metrics of training or certification demonstrate what has been accomplished, they do not demonstrate whether the training is instrumental in delivering results, or that the education has in fact been retained. An objective skill or competence assessment will help to demonstrate the capability of project managers. The next step is to evaluate its impact: "accuracy of project estimates," "delivery to the driving priorities of time, schedule and scope," "satisfaction of project sponsors/stakeholders" and "satisfaction of project team members."

Creating real and meaningful success measures is not an easy process. It requires effort and hard work, and a willingness to go beyond the obvious to be able to measure what success really looks like, in terms that are meaningful for your organization. As discussed earlier, the above measures are not intended as a formula that should be applied wholesale. One of the greatest challenges of being able to use measures like what have been proposed here is defining the metrics that will demonstrate their attainment, and the baseline thresholds of current performance against which progress can be evaluated. Demonstration of success requires looking beyond the obvious and in some cases embracing the difficult; not because the easy measures are bad, but because the right measures often require effort to determine.

Conclusion

The PMO organization is becoming increasinglyrecognized as a key entity for making IT a viable organizational contributor and aligning business goals with IT. We have mechanically explored here the process of creation through operation, but realize that this activity creates a new culture for the organization and for that reason it will require significant management support in order to fulfill its

vision. As such, it is essential that the principles of organizational change be embraced, and commitment to realizing the goals of the PMO be present at each level within the organization.

About the Author

Mark Mullaly is president of Interthink Consulting Incorporated, an organizational development and change firm specializing in the creation of effective organizational project management solutions. Since 1990, he has worked with companies throughout North America to develop, enhance and implement effective project management tools, processes, structures and capabilities. Mark is also the author of Interthink's Project Management Process Model (PM2), a maturity model that has been used to assess over 550 companies worldwide.