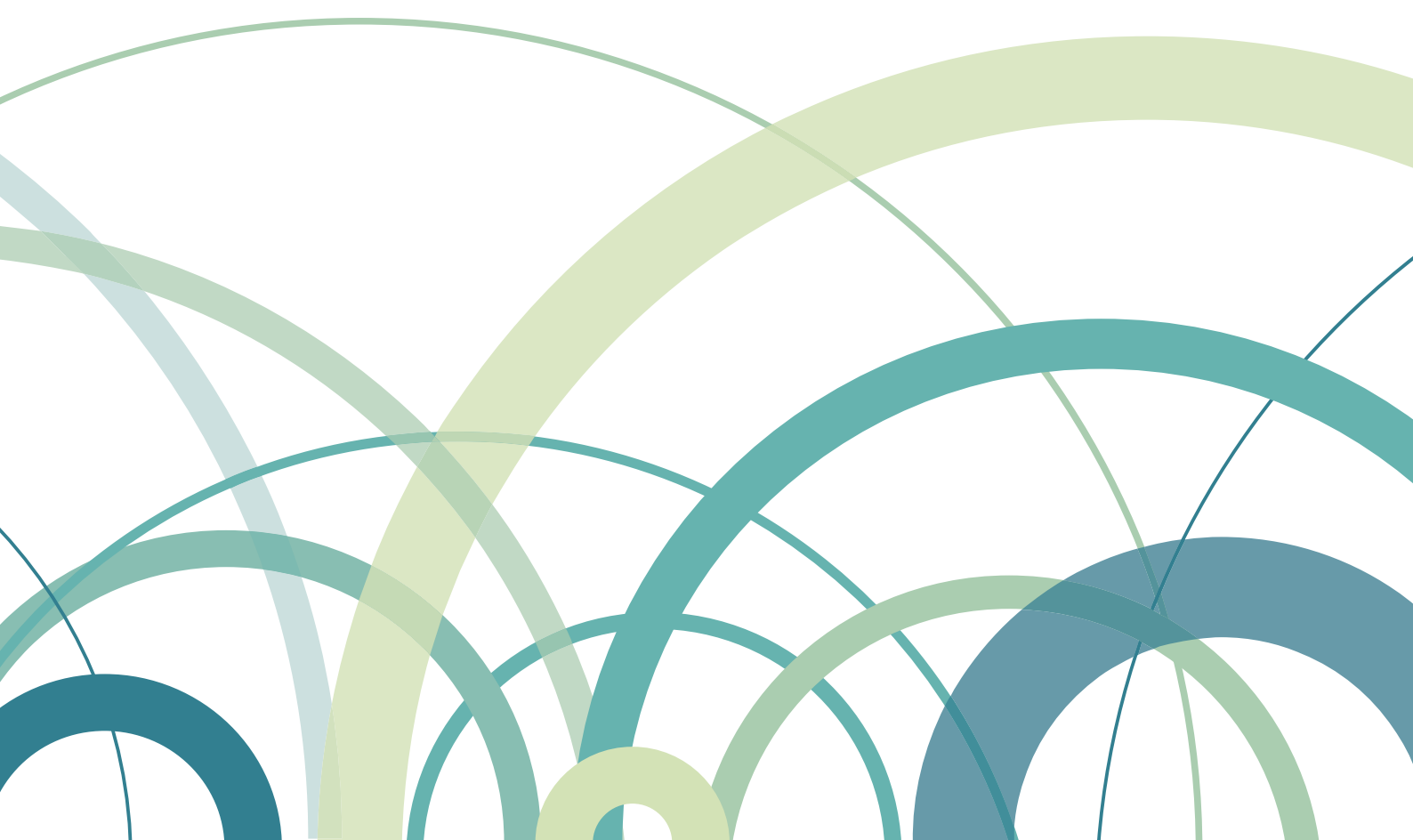


## Building effective PMO's

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As project management has evolved to become a mainstream management discipline there is a need to establish structure, standards, processes and information flows that increase the effectiveness of anyone working within projects.

Five to ten years ago<sup>1</sup> this was relatively easy as those organisations that had a number of projects formed project management or project support offices. These functions provided administrative support to projects and in service organisations (including local authorities) were usually confined to the IT departments. They were responsible for maintaining critical project management documents such as the risk and issue logs and the project plans.

As project management has developed as a mechanism for delivering change across all parts of an organisation, the need for coordination of all these disparate activities has become more urgent. The volume of projects being undertaken has led some organisations to group the work into programmes or portfolios of projects which requires co-ordination of the monitoring and reporting activities and clear lines of authority for escalating this information.

In a recent survey conducted by Maven across public and private sector organisations 40% of organisations still did not have any kind of PMO function and of the 60% who did, 64% saw their responsibilities as supporting projects only, 26% worked with project and programme managers and only 10% had the strategic perspective associated with a portfolio office.

Establishment of a PMO is an essential tool for increasing maturity and capability for project delivery and successful implementation of change. This paper reviews the benefits of a PMO, provides examples of successful PMOs and identifies the steps to building the most appropriate structure for your organisation.

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<sup>1</sup> The Project and Programme Support Office Handbook by David Marsh was only published in 2000 and the Project and Programme Support Office Specific Interest Group (PPSO Sig) now called the PMO Sig was only formed in 2001.

The benefits that you can realise through the establishment of a PMO will depend on the services that the PMO provides. An effective PMO is at the heart of an organisation, a hub for communications between those working in the business as well as those directly responsible for projects. The benefits of establishing the PMO must not be confined to those who work in a project management environment. They must be accrued by the organisation as a whole and the individual business units who will be contributing to the costs of the PMO.

### Organisational benefits

- One source of reporting leads to more effective communication of issues, risks and progress
- Increase in awareness of all the changes that are taking place in each department at any one time, giving clarity to the risk of destabilisation
- Increase in focus of how projects and changes are contributing to strategic goals increasing the ability of senior managers to halt projects that are not delivering strategic benefits

### Business benefits

- Easier access to project information through a single source of reporting
- Reporting metrics are the same for all projects, providing rapid identification of critical project information
- Resource usage is more efficient as the PMO can take responsibility for assigning project resources to any project in the portfolio that needs it
- Total cost of delivery of each project is reduced as the PMO exploits economies of scale in resourcing communication activities, collating project information and cutting down on the number of different project meetings that managers are asked to attend
- By enabling true cost of delivery to be visible to the business, managers can contribute more effectively to decisions on which projects to endorse and which to put on hold

### Project management benefits

- Reduction in number of external consultants supporting projects as PMO provides an internal consultancy service
- Reduction in staff turnover as PMO provides coaching, mentoring and career development to project staff
- Reduction in technical rework as methodology reduces failures at quality reviews
- Source of support that is more accessible than the project manager
- Application of the best practice established by the PMO is effective on-the-job training

## Definition of a PMO

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When defining the PMO it is important to establish what the letter 'P' stands for. The three main types of office are:

- Portfolio office
- Programme office
- Project office

Essentially a Portfolio Management Office is a strategic function supporting senior management decision making. In many cases the Portfolio Management Office will report directly to the Chief Executive. In some cases the office remains under the management of the head of projects or head of change for the organisation but still reports to the board on all initiatives that are happening across all business functions.

A Programme or Project office is established at a more tactical level, with responsibility for ensuring that individual projects and programmes deliver successfully. These can be established to support an individual project or programme but the drive for economies of scale in the current economic climate means that in many cases this structure will be used to support multiple initiatives simultaneously.

This remit can also be expanded to include responsibility for methodology creation and revision, and the provision of organisation wide guidance on how to manage or sponsor projects. This aspect of the role is sometimes referred to as a Centre of Excellence.

Portfolio Offices	Programme and Project Offices
Focused on doing the 'right changes'	Focused doing the 'change right and doing the change well'
Define right changes; those that best align with strategic objectives at that particular time, attract acceptable risk, complexity, cost and impact on business as usual	Support programme and project managers to deliver a specific change on time, within budget and to standard
Usually permanent, aligned with corporate financial governance structures and decisions	Temporary, aligned with Programme or Project governance structure arrangements
Contact with Senior Management Board	Contact with Programme or Project Board

## Examples of PMOs

Maven is a community of experienced portfolio, programme and project managers, project sponsors and change managers. To provide as much practical guidance as possible for this paper, we looked back on the most successful projects, programmes and change initiatives that we have delivered to identify the structure and culture of the PMOs that were integral to this success.

### Example 1

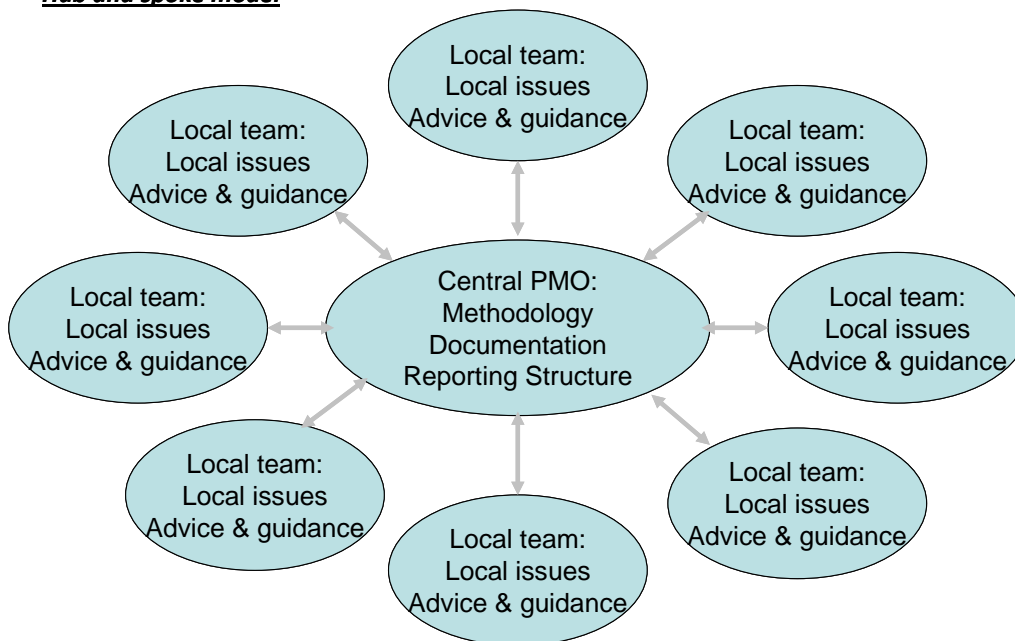
Situation:

The programme was for a global IT roll out, where a new financial control system had been licensed by the organisation and was to be implemented using internal IT staff from four main centres, with implementation in 55 offices across four continents.

PMO structure:

Maven developed a 'hub and spoke' style PMO where there was a core of experienced senior project managers based in the head office in London and a series of 'mini-PMOs' in each country. Local resources were involved in monitoring progress and stepping in to provide assistance in local languages as needed. This assistance could not be provided by one central team due to the large number of people needed and the logistics required in flying them around the world.

#### **Hub and spoke model**



#### **Benefits:**

- The local teams could concentrate on providing mentoring and guidance as the infrastructure issues including creation of a project management methodology, creation of document templates and reporting requirements were all defined by the central team
- With localised help to explain the methodology, nearly all project managers applied it enabling like-for-like comparisons of progress, risks and issues
- Senior managers representing each of the four main centres accessed one report that summarised all projects their area and set this in the context of progress in all other areas

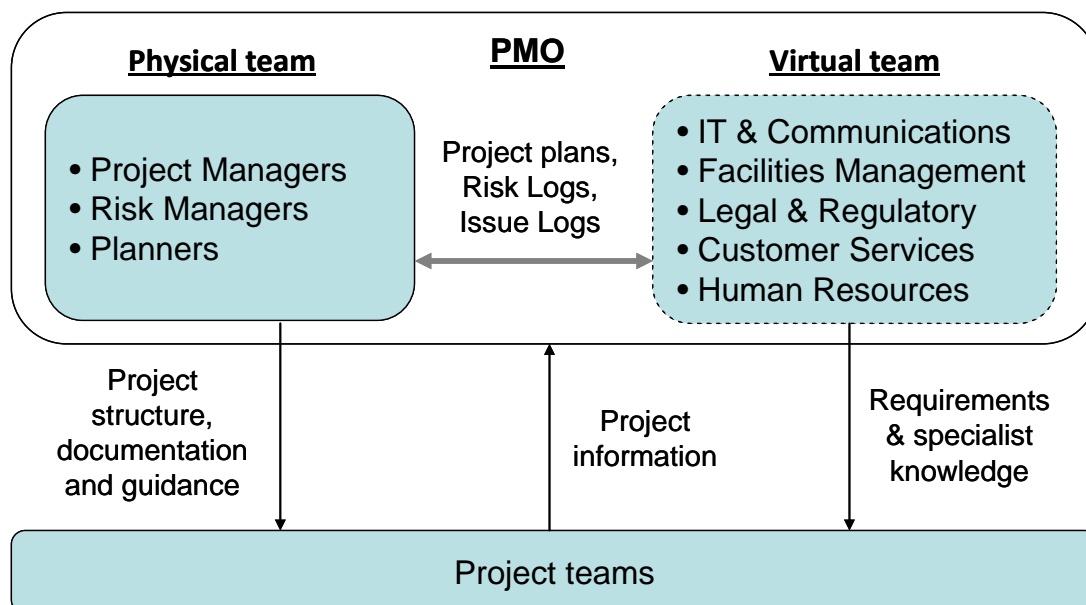
## Example 2

**Situation:** Establishment of a disaster recovery function which included requirements from all major functions of the organisation including IT, Facilities Management, Legal and Regulatory, HR and Customer Services.

**PMO structure:** Maven established a PMO that was reflective of this complex mix of requirements where each specialism was represented alongside a core team of project management expertise (senior project managers), a risk manager and a planner who controlled the 'master' plan.

The team was organised so that the project expertise operated as a physical team, working together in the same location and the specialisms remained in their existing roles as a virtual team.

### **Physical and virtual teams model**



### Benefits:

- This structure gives the PMO access to specialist knowledge without the cost of employing a large number of full time resources. It ensured that the specialists remained up to date with issues arising from the programme that affected their specialisms.
- It ensured that the guidance from the PMO was relevant by including information from the specialist resources rather than remaining a generic project management function.
- Answers to specialist issues raised by one project team were easily and quickly shared with all projects via the PMO, reducing the number of duplicate enquiries received by the specialists.

### Example 3

#### Situation:

The organisation had a highly developed project methodology, well trained and experienced project managers. The requirement was for the PMO to ensure that the right things were being done in the right way and that the methodology continued to develop.

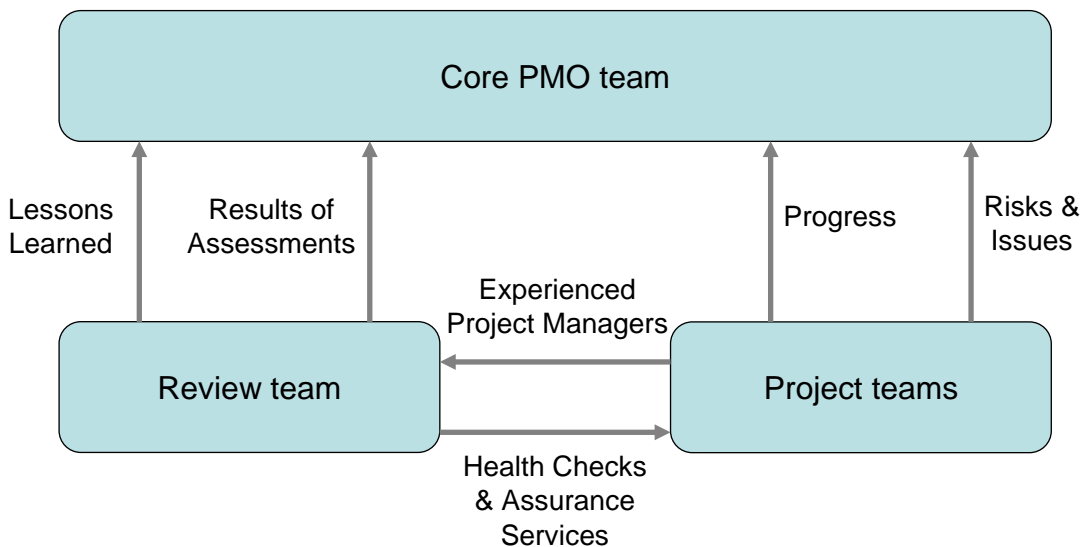
Maven established an office of four permanent resources (serving 80 dedicated project staff and over 100 staff involved in projects). The responsibilities included:

- Collating information on project progress, resource requirements, risks and issues and providing summaries for senior management
- Reviewing project briefs and business cases of new initiatives before submissions for approval to the monthly project board
- Undertaking health checks and assurance reviews and convening lessons learned reviews for all of the projects under their control

#### PMO structure:

To provide these services the PMO was established using an internal consultancy model. The reviewers are the project managers and project sponsors who are encouraged to review each others in a supportive manner, using the principles of Appreciative Inquiry<sup>2</sup>

#### Internal consultancy model



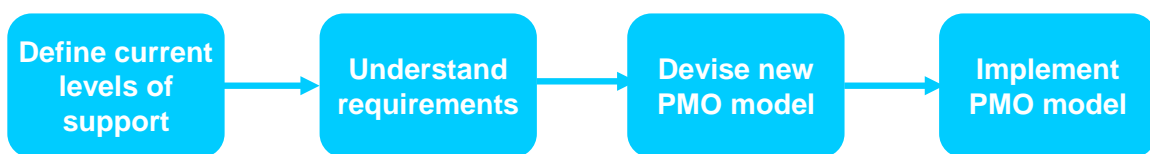
#### Benefits:

- This model reduces the external consultancy costs and increases skills development for project resources as they learn to assess, assure and monitor their colleagues
- It reduces the chances of a 'them and us' culture between project managers and the PMO as they are working as one function
- It supports an environment of continuous improvement

<sup>2</sup> Appreciative inquiry (AI) is a change management technique for identifying why something works well, and how it can be implemented to other parts of the organisation to maximise the benefits.

Our philosophy is to build upon what already exists and to further develop it. We are pragmatic and strive to create the most practical, cost effective approach for your organisation. In our experience whilst it is sometimes simpler to stop everything and start from scratch it is rarely effective. Organisations do not operate in an environment where projects can be put on hold whilst the infrastructure for project and change management is established.

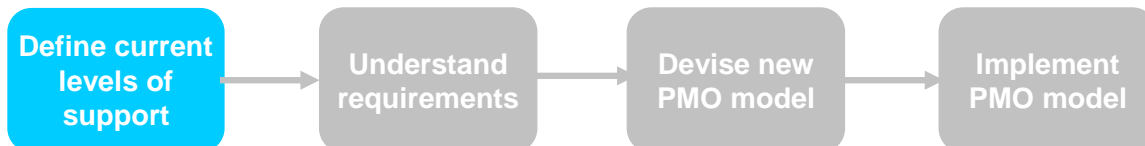
We have developed a process that builds a PMO which reflects the particular needs of your organisation. One size does not fit all and although the steps in our process are applied to each assignment we undertake, no two outcomes are ever the same.



### Define current levels of support

Our first step is to develop a comprehensive picture of what is currently happening, seeking examples of good and bad practice and to include any aspects of this model that are regarded positively in the new PMO model. We review the current model from two perspectives:

- The needs of the operational aspects of the business
- The needs of the project and programme management and teams



We undertake this assessment using our PMO Service Checklist™ that has been developed using P3O<sup>3</sup> best practice. The factors we assess include:

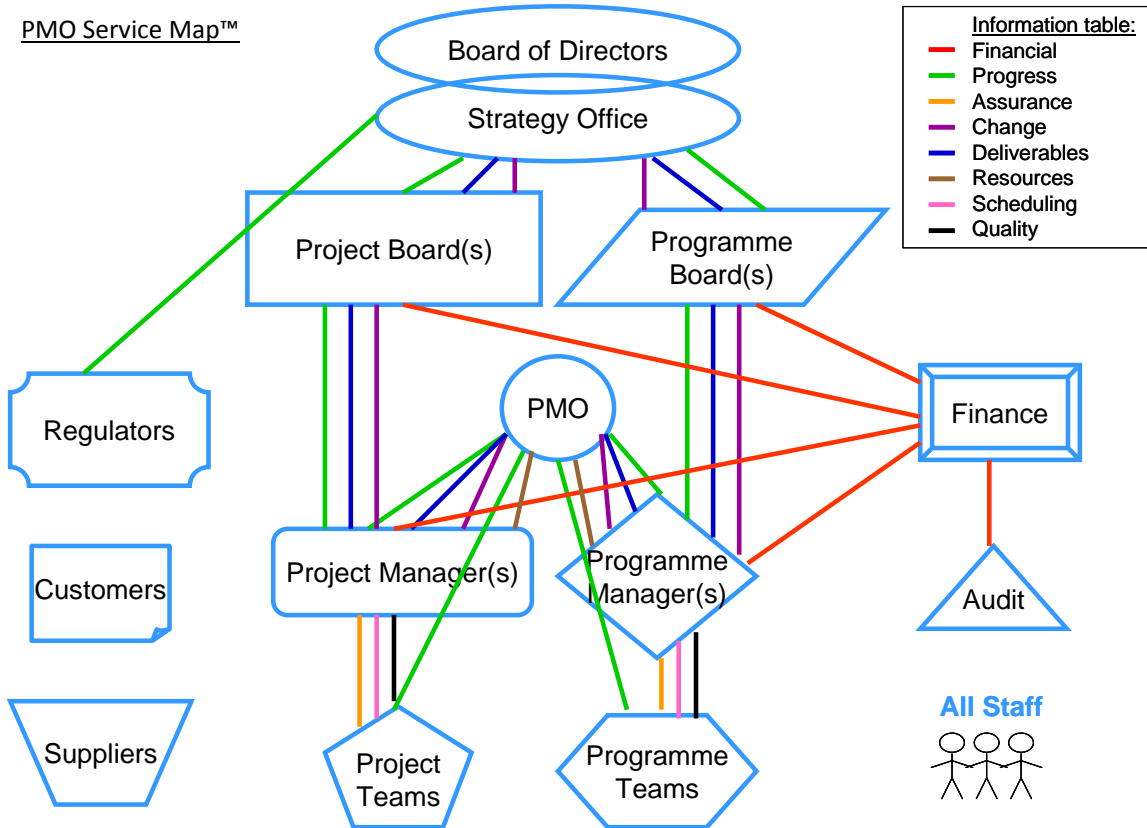
- The services provided by any existing PMO structure to project teams (administrative/reporting/assurance)
- The quality (depth and breadth) of information to support decision making provided to senior management
- Level of coordination of information provided to stakeholders
- Level of skills and experience of those providing this existing support

As part of this process we produce a PMO Service Map™. The map clarifies who the current audience for project information and project support is and visually demonstrates the information flows between these participants. This is a powerful exercise as it clarifies what information is not

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<sup>3</sup> Portfolio, Programme and Project Offices (P3O) is the latest guidance to be published about portfolio, programme and project management. It covers the set up and running of support offices for all levels of change within an organization

getting through and where the blockages are. Presentation of this map is often a key point for our clients as they recognise the source of many of the issues that they are experiencing.

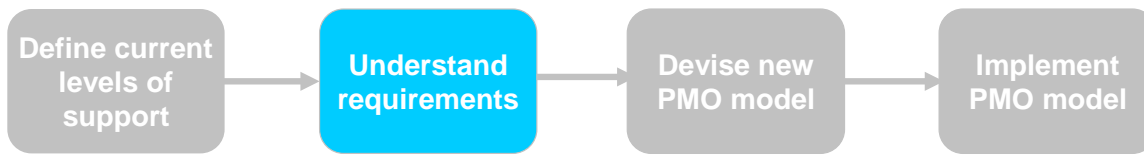


In this example there are a number of broken links in the escalation of information and a number of duplications. These include:

- The PMO does not have a reporting line through to the Strategy Office or Board
- The information on progress, deliverables and changes received by the PMO is duplicated as the managers also send to their boards
- No information is being sent to the staff, customers, suppliers or regulators. To build support for the changes, and to reassure them, information about quality and changes should be supplied
- The progress information sent to the regulators is compiled by the Strategy Office but is compiled from separate reports from each board, duplicating a task of the PMO
- Assurance, scheduling and quality information is not shared with the PMO and the Audit function receives no assurance information either
- Financial information comes in to the Finance function and is reported to the boards by them, without reference to the PMO, whilst the resourcing information is sent to the PMO and is not cross checked against what is being charged for

We would use these observations as an input to the creation of a model that addresses the problems that they cause and the opportunities that are not being exploited by the current levels of support.

## Understand requirements



Requirements are formed from two (sometimes competing) forces:

- Strategic objectives
- Individual expectations of the help and support that a PMO will provide

### Strategic objectives

The services that a PMO can offer range from simple daily support of projects including producing a maintaining a plan and taking minutes of project meetings to being the function that draws together progress on all project and change initiatives and creates an overall picture of discretionary spend across the organisation.

To understand what this picture should look like it is essential to understand what the organisation expects to achieve over the next 12, 24 and 60 months. If the organisation is stable and is seeking little change in the near future then there will be few projects and simple support might be most appropriate. If projects are the vehicle by which transformational change will occur, then the PMO will need a much greater remit.

### Individual expectations

To identify individual requirements we Interview key players and draw together the results into a table listing most requested to least requested services. To get a complete picture of what is required we ensure that our interviewees are drawn from three areas:

- Those already involved in projects or responsible for sponsoring projects
- Business representatives who generate revenue and provide services to customers
- Business representatives who create the infrastructure of the organisation and work with external suppliers including regulators and auditors

During these interviews we explore how individuals assume they will interact with the PMO:

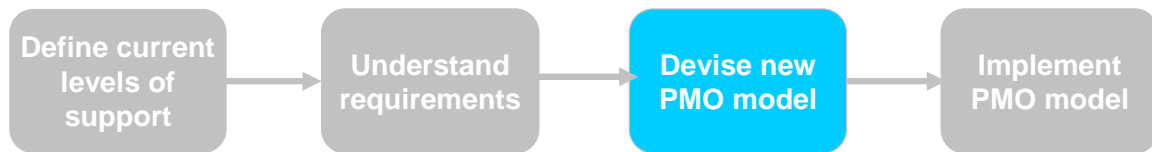
- How will they involve members of the PMO in their work (inviting them to meetings, including them on communication distribution lists etc)
- How will they relay information from the PMO to their team and ensure it is being acted upon

This is to drive home the message that the PMO is a professional function and not a source of secretarial or administrative help. To be effective those responsible for projects and change need to engage with the PMO and not simply be a user of its services.

If the scope of the PMO function is strategically focussed, managing the portfolio of all change initiatives then these requirements are usually balanced between the needs of the project specialists and the business.

If the scope of the PMO is tactical then the needs are usually driven more by the project community. Increasingly we are seeing a demand for the creation of a strategic function which acts as an intermediary between the business and the project specialists, talking directly to the business about project progress, possible risks and likely changes.

## Devise the new PMO model



By understanding current activities and strategic need, we can work with you to devise the model that will achieve your objectives. This is where we resolve issues including:

- Do we need a portfolio, programme or project centric structure?
- Do we create a hub and spoke model, a dedicated or virtual team?
- What will be the reporting lines between the members of the PMO?
- What will be the reporting lines and responsibilities between PMO and:
  - Project teams
  - Programme teams
  - Senior management
- What services will the PMO offer:
  - Coaching and mentoring of project staff
  - Centre of excellence for project methodology
  - Assurance and health checks
  - Gatekeeper of all discretionary spend for projects and change initiatives
  - Contract management for all suppliers used on projects

We will redraw the PMO Service Map™ using the answers from these questions and we will present this map to all those involved in providing the requirements. We will develop detailed procedures that explain how each service is delivered and by whom, how it is quality assured and by whom and the frequency and timing of when each service is delivered.

Experience has shown that implementation is most effective when it does not attempt to reverse engineer the approach, reporting structure and documentation of existing projects. Changes mid-project cause confusion and resentment in those who have already established the governance of their projects or change initiatives. Any changes also make it more difficult to compare documentation created early in the lifecycle with later documentation created under new PMO rules.

The biggest risk to the establishment of the PMO is a lack of cooperation by managers and project teams. The most frequently cited reason for this lack of cooperation is lack of time as PMO procedures are perceived as an additional burden. However we have found that this reason usually masks a deeper concern over loss of control of the management of the project by project managers and sometimes this concern is also shared by project sponsors.

In order to establish a PMO the business must be convinced of the Business Case. Whilst the benefits outlined in this paper are important, they are difficult to prove because the ability to measure indicators tends not to occur without the establishment of a PMO who are responsible for realising the benefits – a classic catch 22.

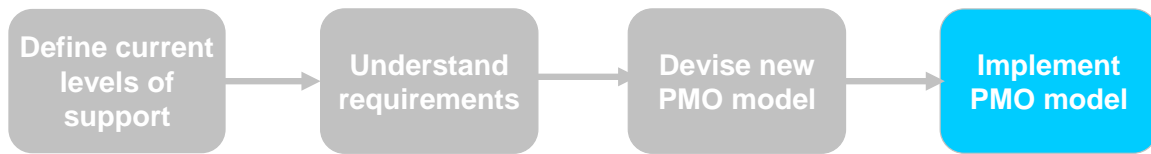
Therefore it is often hearts and minds support that is needed initially – professionalism, maturing and making the job of the decision makers easier (project and programme sponsors). If sponsors

are to be held accountable for their decisions (to authorise initiation, continuation or premature close) then the right information must flow to them at the right time. The 'right' information is often comparative data – being able to see the concept for or the continuation of a project or change against the back drop of all other initiatives that are in play. It's a bit like an air traffic controller authorising the landing of a plane. We would not want them to do that without information about what other aircraft are currently taking off and landing. It is this wider picture that project managers cannot supply to their individual sponsors but that a PMO can.

Whatever style of PMO is agreed, success will depend on how closely it meets the following criteria:

- It has senior management commitment, where project sponsors work with the PMO to resolve issues and the business use the PMO as an essential source of business critical information
- The PMO adds value to the project management entity and is not seen as a source of rules, procedures and information requests that slow project progress rather than enhance it
- The responsibilities of the PMO and the services it offers continue to develop as the maturity of the organisation develops, encouraging continuous improvement and not acting as a barrier to innovation

## Implement PMO model

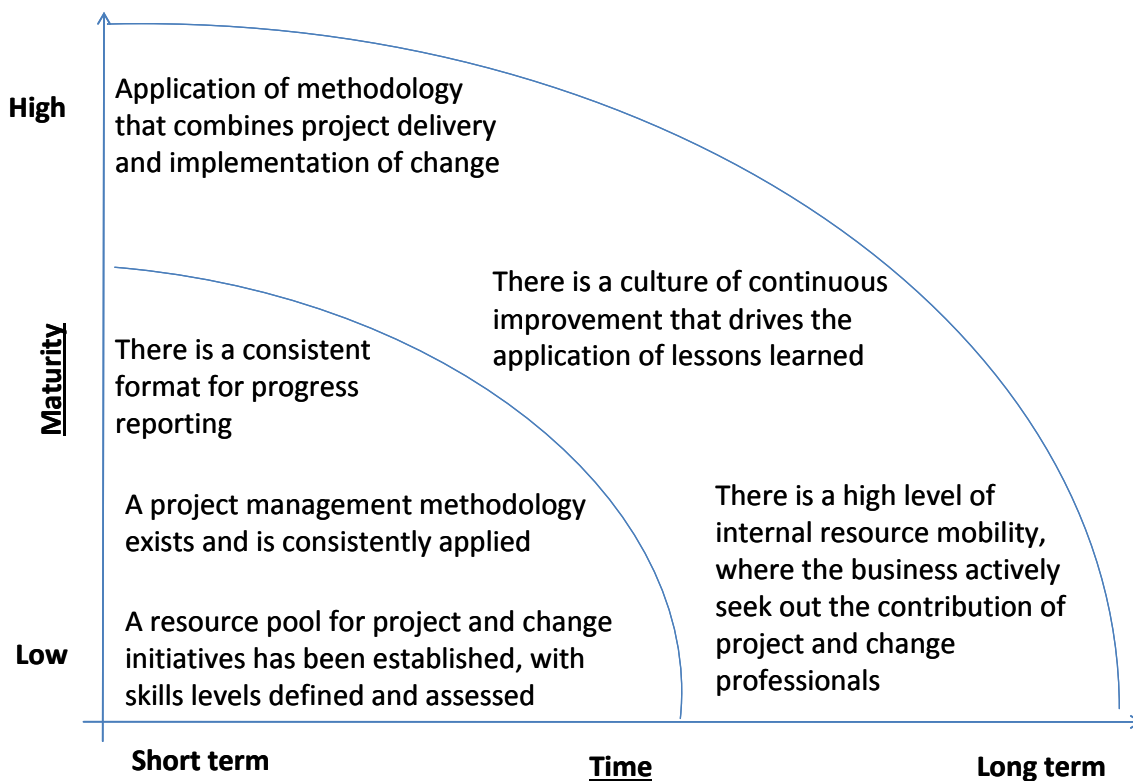


By agreeing the scope of the PMO and the services it will provide we can prioritise the activities to ensure greatest value is delivered as early in the assignment as possible. These are balanced between creating quick wins to build enthusiasm and commitment in the short term and an increase in internal project and change management maturity in the longer term.

Quick wins will be different for every organisation, but some examples include:

- Summary of expenditure across all initiatives broken down by type e.g. total amounts spent on contractor resources, total amount spent with individual suppliers etc.
- Simplification of audit and assurance procedures
- Providing a summary of project and change initiatives to senior management

We will develop a PMO Maturity Schedule™ that sets out the objectives to be achieved by the PMO over the short, medium and long term prioritised by the increase in maturity and capability from where your organisation is today to where it wants to be in the next three to five years. An example of the type of schedule we produce is shown below. This was drawn for an organisation that established its approach to project management using PRINCE2, but is now keen to develop its methodology to be specific to its types of projects and to build on the training that it has provided for its project managers:



We seek endorsement and commitment to this schedule by senior management and this visual representation can be used in communication activities explaining the reasons for establishing the PMO, its purpose and the long term vision.

We will draw up a plan of all activities, their anticipated duration and resource requirements.

Streams of work that may appear on this plan include:

- Devise methodology for project and change management
- Create reporting structure
- Communication activities to all stakeholders (users of the PMO and those serviced by it)
- Team building activities to establish the PMO as a team and to build a community of project and change professionals across the organisation

## Conclusion

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Establishing a PMO is an essential step in developing the maturity and capability of your organisation, not only to deliver a greater proportion of projects on time and to budget but also to successfully implement the changes and realise the benefits that these projects offer.

We work in organisations that are increasingly interconnected by systems that span many functions and departments. Changes in one area inevitably have a knock on effect elsewhere in the organisation and it is this reality which is growing the volume of projects that are in progress at any one time. An innovation or improvement in one part of the organisation can trigger a handful of other projects elsewhere. Multiply this by the number of improvements your organisation seeks to implement every year and we have a vast amount of activity that can absorb resources and steal focus away from the day-to-day responsibilities of serving our customers.

Without some form of centralised support this effort can remain uncoordinated, with the inevitable duplications of effort and loss of possible economies of scale. Without a single, comprehensive view of the changes being implemented across the organisation it is impossible for senior managers to judge if the enormous effort is heading in the right direction. Is it supporting the strategic direction, and will it deliver the objectives in the anticipated timeframe?

The PMO is an essential management function and has the capacity to support the highest level of decision making within your organisation. If you don't have one, start today. If you already have a PMO, review its terms of reference and ensure it is delivering the most value to the widest possible audience in your organisation.

Maven can assist you to address project management in the wider context of organisational development. We cannot fix all of your problems – we are not, and do not claim to be, a management consultancy. We are however experts in capability building and can work with you to align programme, project, risk and change management with the organisation you wish to become. We have the expertise and experience to do the alignment for you but it is our ethos to transfer the skills into our clients so they become self-sufficient going forward. Our services are designed to tap into initiatives designated as ‘transformational change’ programmes, talent management strategies etc. - in other words, to take our services outside of the narrower definitions of project management and of training.

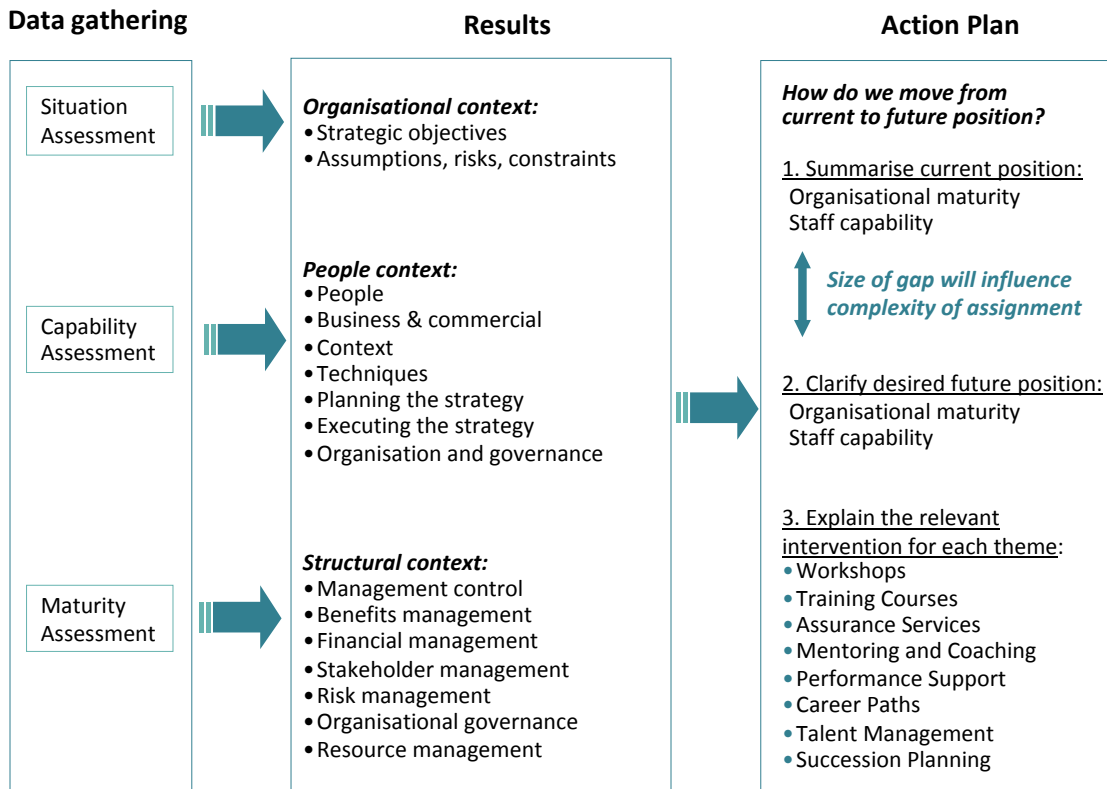
We apply a staged, structured approach to capability building by addressing:

**The situation:** we gather information on the objectives of the organisation and the goals and key performance indicators that need to be met

**The people:** we use best practice competence frameworks to assess current capability

**The structure:** we conduct a maturity assessment to demonstrate where the organisation is currently in relation to running its projects and, equally importantly, how it can progress to the next level of maturity

The diagram below illustrates the approach in more detail:



This approach has been successfully applied with our clients and Maven will be pleased to discuss its applicability to your organisation in more detail.

For further information about Maven Training and its capability building services please contact:

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