The Project Management Office (PMO)

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> *"Our leaders are great thinkers. We need to take those ideas, make sure they are grounded and able to be executed. The PMO helps us do that."* - President of project services, global construction services provider, North America (Forrester Consulting, 2013)

Introduction

There are many reasons why projects fail. A survey of 1524 organisations by PriceWaterhouseCoopers (PwC, 2013), found that inadequate project estimating and planning constitute 30% of project failures, lack of executive sponsorship constitutes 16% and poorly defined goals and objectives constitute 12%. The survey also found that using established project management approaches increased success as measured by a project's key performance indicators of quality, scope, schedule, budgets, and benefits. The survey concludes that an established Project Management Office (PMO) is one of the top three reasons that drive successful project delivery.

The PMO is the organisational entity, group or department within an organisation or business, that defines and maintains standards for project and programme management within the organisation. The Project Management Institute (PMI, 2017) defines the PMO as "an organisational body or entity assigned various responsibilities related to the centralised and coordinated management of those projects under its domain."

The responsibilities of the PMO can range from providing project management support functions, project management oversight to actually being responsible for the direct management of projects. Strategic initiatives are essential to success in today's increasingly complex business world, yet most initiatives (projects) fail to meet the desired business objectives during implementation. PMOs serve as enablers of strategic change in the organisation to drive successful business outcomes. The PMO is a strategic driver for organisational excellence, which seeks to enhance the practices

of execution management, organisational governance, and strategic change leadership.

Project and programme management

Opening remarks

Before we consider the functions and duties of the PMO, it is necessary to first revisit the functions of project and programme management. This will help in better understanding the role and placement of the PMO in the organisation.

Role of project and programme management

The objective of project and programme management is to complete projects which comply with the client's business objectives.

Project management is the practice of initiating, planning, executing, controlling, and closing the work of a team to achieve specific goals and meet specific success criteria at the specified time. A project is a temporary endeavour designed to produce a unique product, service or result with a defined beginning and end (usually time-constrained, and often constrained by funding or staffing) undertaken to meet unique goals and objectives, typically to bring about beneficial change or added value.

The temporary nature of projects stands in contrast with business as usual (or operations), which are repetitive, permanent, or semi-permanent functional activities to produce products or services. In practice, the management of such distinct production approaches requires the development of distinct technical skills and management strategies.

The primary challenge of project and programme management is to achieve the organisation's project and programme objectives within the given resource constraints. The primary constraints are scope, time, quality and budget. The secondary - and more ambitious - challenge is to optimise the allocation of necessary inputs and apply them to meet pre-defined objectives.

Programme and project Governance

According to van Heerden et al (2015), programme and project governance fits within the overall governance of the organisation and is therefore ultimately the responsibility of the board of directors. It is regarded as a subset of the organisation's overall corporate governance as illustrated in Figure 1.

Figure 1: Programme and project governance is a subset of corporate governance (van Heerden, Steyn & van der Walt, 2015)

Referring to Figure 1, the outer circle reflects all the business activities of the organisation. Within this sphere of operation, there are governance activities and programme/project management activities. The overlap of these two sets of activities, i.e. the intersection in the diagram, represents governance of programme and project management. Programme and project governance principles for an owner organisation will be entrenched in the owner's project/programme management work methodologies.

Governance of programme and project management defines the framework within which programmes and projects will be conducted. It sets out the structure, resources, communication, reporting and monitoring systems to manage projects consistent with the organisation's corporate or strategic vision. Ideally, this will be the responsibility of the PMO.

The Project Management Office

Opening remarks

Ever wondered what it takes to build a great project organisation? Well, a PMO is a good place to start, and will help you to standardise processes and drive up project success rates.

PMO types

PMOs may also take on other functions beyond standards and methodology, and participate in strategic project management either as the facilitator or act as the owner of the portfolio management process. The degree of control and influence that PMOs have on projects depend on the type of organisational and governance structure within the organisation. The PMO can typically be one of three types from an organisational exposure perspective, namely:

- **Supportive PMO:** PMO with a consultative role only;

- **Controlling PMO:** Enterprise PMO which requires compliance with standards and procedures (this is the default option); and

- **Directive PMO:** PMO taking control and managing the projects.

The PMO strives to standardise and introduce economies of scale and repetition in the execution of projects. The PMO is the source of documentation, guidance, oversight, training and performance metrics on the good practice of project management and execution.

The PMO supports the strategic objective of the organisation and fulfils a key organisation management and/or oversight role in programme and project management and governance processes.

The PMO roles and responsibilities

There's no one-size-fits-all PMO for an organisation. Typical roles and responsibilities of the PMO are shown in Figure 2, and include:

- **Organisation programme strategy:** Research, analyse, review, assist and advise on the development of effective organisational strategies regarding programme and project effectiveness;

- **Project management framework:** Become a Centre of Excellence for project execution: develop, maintain and continuously improve a common set of project and programme management systems, gate review and approval system, methodologies, procedures, standards, governance principles, practices and templates for managing projects in line with best practices and organisational requirements;

- **Project portfolio management**: Compile the project portfolio by classifying, selecting and prioritising projects and programmes based on the company strategy and available resources, preparing decision-making support documentation and facilitating decision-making for the portfolio board. Review recommend and report progress to top management on strategic decisions and priorities of projects to be included in the feasibility pipeline, approval for implementation: continue, postpone or cancel. Manage programmes and projects on behalf of the organisation, if there is no-one else to do so;
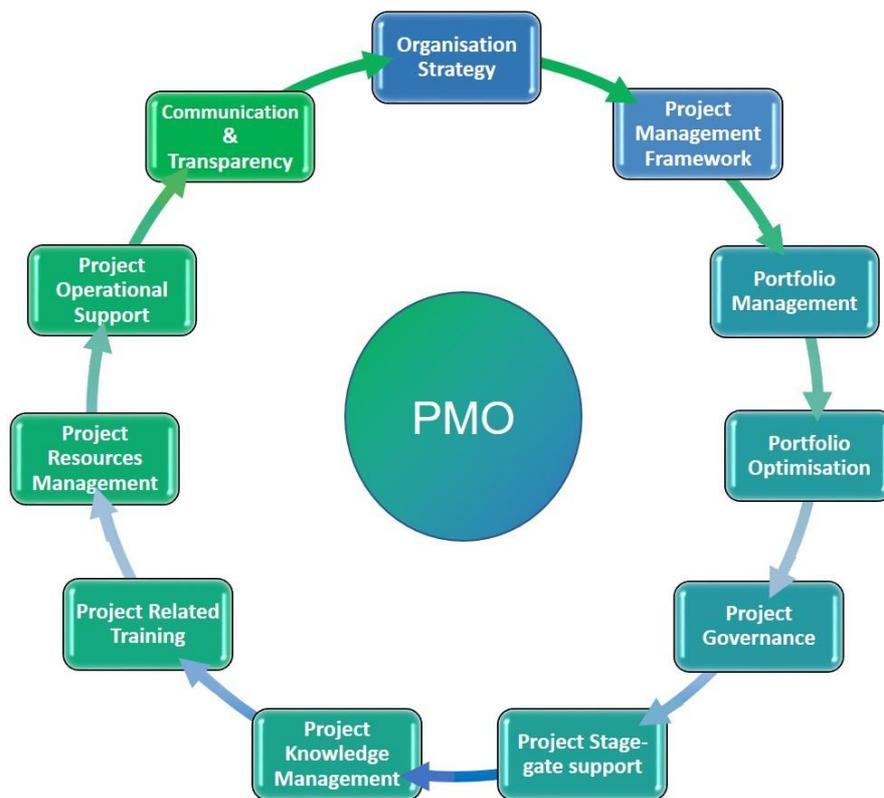
Figure 2: Roles of the PMO

- **Project portfolio optimisation**: The selection of the best combination and timing of programmes and projects to ensure that all strategic and mandatory business needs are met and that the company generates the optimal return on investment for its shareholders.

- **Project governance and portfolio tracking**: Ensure that project management procedures and standards are followed by performing regular project health assessments. Ensure that the projects and programmes are executed according to the company's project procedures, and executed as efficiently as possible within the policy framework;

- **Project prioritisation and stage-gate support**: Develop and maintain a project stage-gate execution model. Support the organisation and project teams in taking ideas through structured prioritisation and stage-gate review and approval processes. Responsible for stage risk reviews, gate readiness reviews, and quality assurance deep-dives;

- **Project knowledge management**: Create a knowledge base with lessons learned, best practices and improvement steps from past projects to avoid repeating errors over and over;

- **Project related training**: Develop training materials and train and coach project leaders, sponsors and stakeholders. Select, implement and train employees on applicable project management methodologies, tools and software;

- **Project resources management**: Manage a resource capacity plan or resource forecast to help understand the resources required for projects and programmes. Maintain current project employee data, especially in terms of capacity, project allocations and skills;

- **Project operational support**: Administrative and operational support for project managers and project teams in the areas of conflict management, risk management, integration management, safety, health and environmental management, quality management, workshop moderation, government relations and public affairs; and

- **Promote information flow and communication**; Improve project and programme management and transparent communication: The PMO in today's digital world is a PMO that has the capability to provide projects' management tools, systems and information to any relevant stakeholder, at any time, on any device. It is real-time data processing, made available in a web and mobile-friendly format. As the speed and complexity of our operating environments continue to steadily accelerate, a consistent point for coordination, collaboration, and sourcing information becomes essential. Digital PMOs use new technologies to facilitate collaboration and information sharing inside and outside project teams. An example is the way OTC is utilising Google's G Suite to effectively communicate, create, collaborate, track and update documents and deliverables on projects, between the entire team.

Often PMOs base project management principles on industry-standard methodologies such as PRINCE2 and PMBOK®. PRINCE2 (an acronym for PRojects IN Controlled Environments) is a process-based method for effective project management and is used extensively by the UK Government and in the private sector, both in the UK and internationally (PRINCE2, 2018). PMBOK® is the acronym used by the Project Management Institute, and refers to their Project Management Body Of Knowledge, a fundamental resource for effective project management in any industry (PMI, 2017).

Concluding remarks

It is essential for the PMO to play a crucial role in delivering organisational value by supporting the implementation of key strategic projects and programmes. To do this PMOs must become more strategic, shifting their emphasis from process to value delivery, while developing their capabilities and processes accordingly.

Building on the findings of Forrester Consulting (2013), we identify five imperatives for PMOs to better engage and support senior leaders are as follows:

- **Have a seat at the executive table:** Strategic results require strategic positioning. PMOs that are highly effective in driving business growth report to the top management;

- **Be part of the strategic planning team:** They are a vital part of the strategic planning team. Since portfolio management is a core competency, PMOs actively participate in strategic planning and help shape strategy by providing feedback to executives about performance, labour costs, and customer feedback;

- **Focus on critical initiatives:** While the PMO is essentially an organisational structure that centralises, coordinates, and oversees the management of projects and programmes, it must be set up, to align with the organisation culture, structures and requirements;

- **Foster talent and grow competencies:** They embrace core competencies. Excellence in project management remains a critical capability for PMOs. The most successful organisations recognise the specific role of the project manager and build significant learning and development programmes to mature project management skills; and

- **Embrace new digital technology:** Every organisation, in whatever industry it operates, must have an information technology layer with a strong focus on innovative and creative technologies. The organisation needs to be quick to respond to a changing business environment. The PMO of today must actively seek ways to improve overall organisational performance as well as ways to communicate performance improvements across the enterprise using new technologies and flexible operating models.

Successful implementation of initiatives requires that PMOs be given corporate commitment and are empowered. The selection of, culture, professionalism and management style of the PMO is critical, as this establishment is expected to enhance stakeholder value and satisfaction. However, poorly conceived and managed PMOs could lead to significant dissatisfaction and resistance by stakeholders, project leaders, and management due to the oversight role it must fulfill.

Maritato (2012) shows how a business analysis approach can be used for defining a PMO business case through a full enterprise analysis process and introduces some useful techniques to define the PMO benefit vs. cost, tightly linked to the business need.

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