

Do You Need A Project Management Office?

Project management is a challenge in many organizations. More pressure than ever is being applied to deliver greater returns and or improved service levels through strategic information technology (IT) projects. In today's fast paced business world we find that the statistics continue to show that many IT projects are failing.

The now famous Standish Group study concluded that 60% of IT projects experienced cost overruns in the range of 15-20%. This means that if your annual budget for IT projects is \$10 million dollars, and you fit into the "average" your cost overruns on projects are \$900K to \$1.2 million per year. These are pretty significant numbers.

So what is a project management office (PMO). A PMO is a function in the organization that facilitates the successful and consistent use of project management practices on all projects. It is focused on delivering an environment where projects can flourish – not on actually managing projects. This is an important distinction that is often misunderstood.

In simple terms a project manager is responsible for the management and delivery of a project. The PMO is responsible for helping these project managers be successful. This difference is critical as some PMOs try to also be project managers and when this happens their objectivity, ability to serve multiple projects and credibility is usually diminished.

The following chart shows the difference between a project manager and PMO based on their high level roles:

PMO

- Advising
- Mentoring / coaching
- Facilitating
- Planning (strategic / tactical)
- Managing project knowledge
- Reviewing
- Helping

Project Managers

- Defining
- Controlling
- Executing
- Planning (project)
- Estimating / Tracking
- Organizing
- Communicating

The PMO is focused on influencing the use of project management principles across multiple projects. While project managers are directly responsible for one project. The successful project manager will solely focus on delivering their project. The successful PMO provides a cross-functional perspective by considering all projects and their implications across project boundaries. In order to do this the PMO must also promote project management awareness and strive for continuous improvement in project management practices.

The PMO and the project manager roles are obviously different, but both of them are necessary to ensure the success of the individual project and the success of the overall portfolio of projects. If the

PMO is also responsible for managing projects then the drive to deliver a single project will outweigh the need to facilitate the success of the portfolio of projects.

The PMO is responsible for defining a set of project management standards, guidelines and methods that can be used consistently throughout the organization. The consistent use of project management is critical to the organization in terms of being able to effectively “roll-up” project information, to understand the project management process and reduce the time project managers may spend in devising their own methods for handling basic project management processes.

The PMO is also responsible for training, coaching and mentoring project managers as part of a continuous improvement program. The PMO must stay in “front of the curve” in terms of continually enhancing the organization’s effectiveness in project management. This training environment will include exposure to internal standards, external experts to train in the elements of project management and the building of effective relationships between project managers so that they can support each other.

The implementation of a PMO can have a direct impact on the bottom-line of the organization. The Gartner Group has published research suggesting that organizations could cut project overruns by 50% by “establishing enterprise standards for project management including a project management office with suitable governance.” If Gartner is correct the saving for the “average” IT shop with \$10 million per year invested in projects would be \$450-600K. Obviously the bigger your annual project budget the bigger the cost avoidance.

The PMO has other business benefits as well. The successful PMO will improve the ability of the organization’s project managers that will in turn improve the success of projects. It can put basic project management practices in place that will improve communication, project control (schedule, cost and quality), scope management and improve people management skills (critical in an environment where qualified resources are scarce).

Another major benefit of the PMO is that it becomes the keeper of the project knowledge base. The PMO can gather information on projects and store it in common electronic folders that can be shared with subsequent projects. This information becomes invaluable in terms of allowing future projects to learn from the success and failures of previous projects. It is also important in providing methods of comparing estimates and actuals from previous projects to current ones. The growing of the knowledge base is an ongoing process that will take some time to develop but has the potential for significant returns.

So think about the project success rate at your organization. Is it “average” according to the Standish Group? ... or better? ... or worse? Do you have formal project management standards and guidelines? Are they used consistently throughout the organization on all projects? Would you benefit from improving your level of project management?

These are all easy questions to ask but more challenging to answer. The first step is to thoroughly consider and analyze your organization in terms of these questions. The quick answer is likely, “we do a pretty good job”, most of our projects are successful.

This response is quite normal. However, upon digging you might quickly find out that some of the projects do not deliver what was expected. That cost overruns did occur but these costs have been absorbed in another budget item. That some application development projects have a longer and more costly life after implementation as changes are made to make these “successful” projects actually work.

So the easy way out is to pat yourself on the back and convince yourself that you have all your projects under control. The better solution is to realistically look at your situation and see where there may be room for improvement. Once these areas are identified then the executive team can decide if improving the level of project success is worth the investment. That’s a topic for another article...

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