How to Set Up a Project Office

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A Project Management Office (PMO) can operate at portfolio, program or project level. Industry best practice supports the establishment of an Enterprise PMO first that then allows a cascading of standardised systematic governance to deliver benefits realisation to the entire business. A business may only have one centralised EPMO which manages all projects across the business. Depending on the scale of the business, it may decide to introduce a hierarchy of PMOs or have specialist PMOs based on function, for instance a Finance PMO or an Information Technology PMO.   In smaller organisations, and conditional on the PMO functions, the EPMO may consist of just a couple of people.

Depending on the business requirement, the PMO can serve a number of functions:

Step 1 - Define the Purpose

So, Step 1 is to define the mission statement, objectives and benefits of the PMO. Establish the business objectives for the PMO and list the aspirational benefits. A clear understanding of what the business is hoping to achieve by creating a PMO is essential. Most PMOs start out with the idea that they are there to report on the progress of projects and ensure effective visibility of projects across the organisation to Executive Management. This often develops, as the project management maturity level increases, into broader training, coaching, change management and communication roles.

It is essential that a budget for the PMO is established.   This allows control of the establishment of the roles and recruitment of appropriate staff.   The PMO budget is NOT the portfolio of projects budget. Long term strategic planning for the global annual projects budget allows reinvestment in systems and improvement of processes and is a separate funding conversation. Decisions about capitalisation and financial treatment of project costs are part of the overall funding treatment of projects and are not necessarily part of the PMO role.

Key performance indictors of PMO performance should be established in Step 1 to allow measurement of success and report on return on investment.   A PMO should have a multiplier of cost reduction because of greater efficiency in managing projects.

Part of the Step 1 is to analyse the "as-is" situation. The PMO's business buy-in will be much more successful if it is solving a problem.   The process of analysis of the current project team structure, organization and way of working, as well as the interfaces to customers and suppliers will drive sponsor support. The results of the analysis form the content of the business case for setting up the PMO. Look for feedback and support from those in the business functions that are suffering from the problems.

Once the business sponsor accepts the business case for the PMO, it's time to put the PMO charter in writing. The charter spells out what the PMO is expected to accomplish and how success will be measured.

Step 2 - Decide on the Type of PMO
The Project Management Institute standards, and specifically the PMBOK Guide (5th edition), talks about three types of PMO, which vary in the degree of control and influence that they have on the organisation and projects.

A. Supportive PMO
The Supportive PMO generally provides support in the form of as-requested expertise, templates, best practices, access to information and expertise on other projects. This can work in an organisation where projects are done successfully in a loosely controlled manner and where additional control is deemed unnecessary. If the objective is to have a sharing of project management information across the business, which can be used freely by project managers, then the Supportive PMO should be the selected type.

B. Controlling PMO
In organisations where there is a desire to 'harness and regulate' the activities, processes, procedures, and documentation; a controlling PMO can accomplish that.   The organisation not only provides systematic and standardised methodologies, but it also requires that the systems be used.   Adoption of specific methodologies, templates, forms, conformance to governance, and application of controlling sets of rules standardises the approach. Regular audits for compliance address risk factors on projects. A controlling PMO works if there is a clear case that compliance with project management methodology will bring improvements in the organisation's PM maturity, and the PMO has sufficient executive support to stand behind the controls the PMO puts in place.

C. Directive PMO
A directive PMO goes beyond monitoring and compliance and "takes over" the projects by providing the project management experience and resources to manage the project. As organisations undertake projects, professional project managers from the PMO are assigned to each project. This injects professionalism into the projects, and since each of the project managers originates and reports back to the directive PMO, it guarantees a high level of consistency of practice across all projects. This is effective in larger organisations that often matrix

out specialist functions like project management, finance, and IT.   It can be used in smaller organisations where insufficient project management expertise exists within the business units.

The best type of PMO is specific to the organisational culture, current acceptable practice and history of what has worked. However all PMO's seem to have a common set of objectives:

- Implement a common methodology
- Standardise terminology
- Introduce effective repeatable project management processes
- Provide common supporting tools
- Improve levels of project success within the organisation
- Reduce waste and increase ease of delivery

In a survey conducted by Aubry and a team from the University of Quebec and sponsored by PMI, the following types were found:
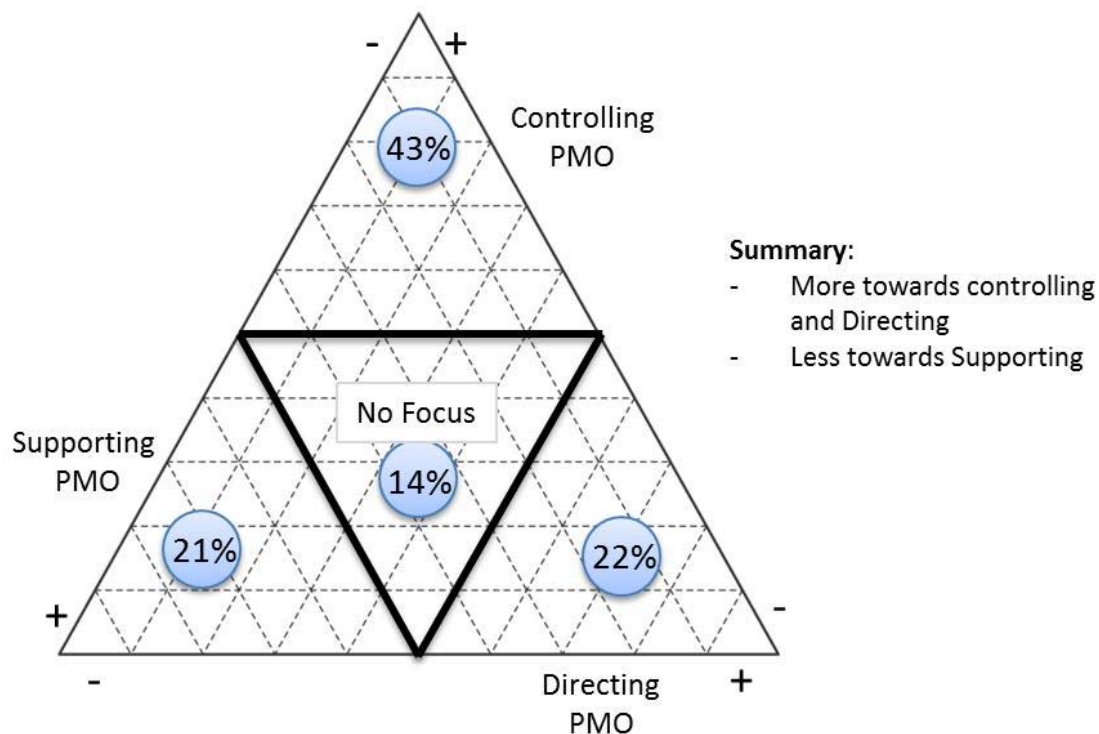

Step 3 - Roles and Responsibilities
Understanding the type of PMO that meets the needs of the organisation allows you to create the artefacts around the accountability of the people.   Not all roles will be within the PMO, but a clear understanding of approvals, decision points for funding expenditure, delegations of authority, and the number of people involved provides budget requirement and skill specifications.

One technique commonly used is the RASCI Accountability Matrix which allows a list of roles to be created with functional responsibility allocated based on five levels: '**R**esponsible for delivery', '**A**ccountable for the outcome', '**S**upporting the deliverables', '**C**onsulted about the required actions', and '**I**nformed about the outputs and actions'.   Originally invented by a Polish engineer (Arie Quik), it has been adapted by many to provide an easily understood allocation of responsibility that can then provide the basis for:

- Job descriptions
- Executive Program Steering Group Terms of Reference
- Hierarchy chart
- Project Control Group membership
- Variation management
- Process control
- Decision Gate Delegations, and
- a raft of other role and responsibility information

Some of the role names in a PMO may include:
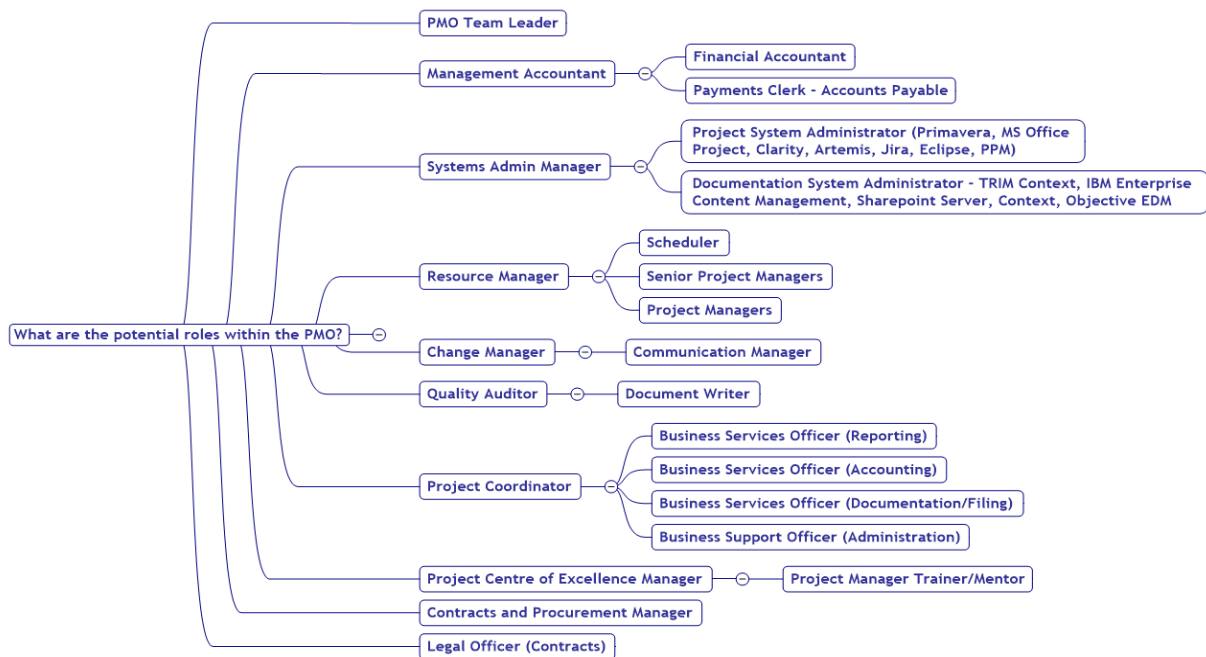
Step 4 - PMO Framework
Design a functioning model for the PMO, so that it can deliver benefits to the enterprise. A step by step guide, defining the framework, is an essential component. Not all of the nine domains/ roles listed will necessarily be selected for your PMO. Review the PMI's PMO Frameworks document published in November 2013 for further advice. For each selected role (or domain) create the listed artefacts:

1. Standards, Methodologies and Processes
Methodology definition; metrics definition; process development and improvement processes.

2. Project/Program Delivery Management
Define the business goals; how resource management will operate; schedule/cost/scope management; business realisation management; risk management; stakeholder management; communications; and project integration.

3. Portfolio Management

Define the prioritisation approach; strategic alignment; portfolio reporting; resource management allocation; opportunities and investment analysis; risk management; benefits realisation tracking/reporting.

4. Talent Management
Specify training processes and approval regimes, career paths, career development, capability/skills development and certifications/qualifications/credentials.

5. Governance and Performance Management
Standardise the process for performance reporting; issue escalation; information distribution; metrics/KPIs; compliance; financial management; PMO performance management.

6. Organisational Change Management
Specify the standard approach for customer/stakeholder satisfaction; managing resistance; readiness assessment; stakeholder management; communications

7. Administration and Support
Design and make accessible tools (provisioning/implementation/support); consulting; forms, IT/IS support.

8. Knowledge Management
Define knowledge management policies, managing intellectual collateral/property, lessons learned, content management and collaboration systems (perhaps web or cloud based)

9. Strategic Planning
Confirm strategic priorities; defining business goals and aligning to initiatives; environmental scanning; opportunity analysis.

Step 5 - PMO Organisational Structure
Define the functions that PMO needs to perform. For example governance, finance, management, benefits management, compliance management, risk management and so on. Decide the human resources that the organisation is prepared to commit to performing each role. Create an organisation chart, grouping similar roles for effective management and control. Generally, budget for the PMO is the key limiting factor. You may choose to phase the recruitment of the team to ensure effective development of the capability.

Step 6 - PMO implementation Action Plan
Being good project managers, we would instantly recognise the need for a plan; with milestones, task dates and resources. A step by step plan to implement the PMO ensures practical completion of the setup. As resources are added, there may be a need to modify the plan to get best return for the investment.

Step 7 - PMO KPIs and Success Measurement
Monitoring and controlling progress requires a set of metrics to keep the PMO on the path to success. Defining a set of metrics that measures PMO performance and provides an indication of

its performance is important and should be driven by the type of the PMO, as well as its charter and strategic objectives.

In addition to the PMO sponsor, the business executives should be involved in defining the metrics, along with the mechanism, tools, and frequency of reporting. If a Project Governance Forum is established as part of the PMO, then that 'brains trust' should consider procedures and measures as well as any process improvements. Iteration is a key to keeping the PMO relevant. Some common PMO measures include:

- Project delivery vs. schedule comparison
- Customer feedback evaluations
- Performance against financial goals
- Project cost vs. project budget
- Scheduled delivery vs actual delivery
- Formal evaluations of project managers and PMO staff
- Business stakeholders feedback evaluations
- Project owner feedback evaluations

There are many others, like the ones in this section of the mind map:
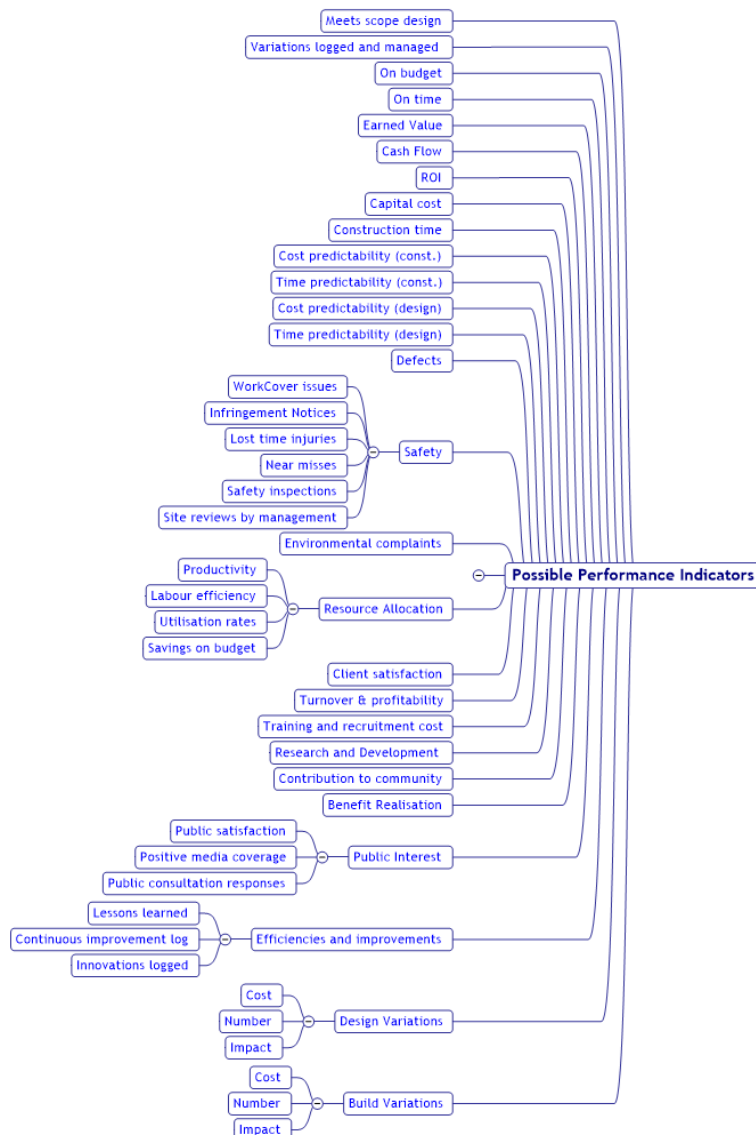
Tools & Templates and best practices and techniques

Some of the popular software project management tools in the market are: Microsoft Project Server + SharePoint, Clarity, Primavera, PlanView, HP's PPM, Atlassian's Jira and Confluence, Clarizen, Daptiv, PIEMatrix, ProjectManager, WorkZone , Quick Base, BaseCamp 3, and Artemis.

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