

Project Offices

What are they and does my organisation need one?

WHITE PAPER

Primarily Authored by

Youssef Mourra, Principal Consultant

Nonsuch Consulting Services Ltd



**NONSUCH
CONSULTING**

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1 EXECUTIVE SUMMARY

A Project Office (PO) can significantly increase the success of an organisation's projects by supporting the delivery of a consistent and professional approach to project management, development and support for project staff. POs ultimately ensure projects are delivered in a more efficient, controlled and focussed way. It is commonly accepted that for an organisation to meet its strategic objectives, a number and range of projects and programmes are required to achieve the transformational change. Therefore, the role of the PO, in helping to ensure successful project delivery, is crucial to delivering successful strategic objectives. For this reason alone, an organisation's approach to the implementation and ongoing operation of a PO is fundamentally important.

Every organisation is unique and there is no "one size fits all" approach to implementing a PO. It is important to make sure there is a need and desire in the organisation for a PO. Ground work is required to evaluate and understand the organisation's needs – what are the targeted goals or strategic intent of the organisation and can a PO help the organisation achieve these in a more effective and efficient manner? Can the required resources be identified and committed to the PO? Is there an Executive level commitment to the PO?

To ensure informed decisions are made when mobilising a PO, a project management maturity assessment needs to be completed. The maturity assessment will baseline the current maturity level of project processes, procedures and tools in an organisation highlighting strengths and challenges. Knowing the current project management maturity level gives an organisation a baseline to work from and the ability to measure improvement and success. This maturity assessment could be expanded to also include programme and portfolio management. These two further capabilities are discussed later in this White Paper.

Implementing a successful PO takes time and mustn't be rushed. A clear end "vision" and realistic implementation plan are required. Executive Management and Business buy in/support is also essential to a successful implementation, with time needed to be taken to create and deliver comprehensive communications and change management plans to get the organisation, at all levels, used to the idea and to ensure there is multilateral support for its existence.

Implementing a PO is often the key to the effective performance of project management across an organisation. A well established and managed PO will lead to projects being consistently delivered in a successful manner.

2 INTRODUCTION

With the relentless pace of change and with organisations striving to reduce costs and achieve greater efficiency, projects are a recognised vehicle for enabling businesses to deliver the elements required for organisational change. Strategic objectives are often met through a series of projects, which frequently involve complex and cross departmental co-ordination and often large sums of money.

In a PIPC Global Project Management Survey conducted in 2004, only 27% of projects surveyed were completed successfully i.e. on time, within scope and on budget. The remaining 73% were either cancelled or did not meet time, scope or budget constraints.

A formal body taking an organised approach to projects and project management can significantly increase the success of your organisation's projects. This is often referred to as a Project Office (PO).

The purpose of this white paper is to:

- Introduce the concept of a PO
- Explore the benefits of having a PO
- Identify the factors an organisation should consider before setting up a PO, and
- Look at the steps to implementing a PO.

Nonsuch Consulting has also published a second white paper '*PMO, PgMO or EPO? Selecting the best option*' where the different scenarios and options for setting up a project office in an organisation are explored in more detail.

3 WHAT IS A PROJECT OFFICE (PO)?

A Project Office or PO is a formal body of people and capabilities that manages an organised approach to projects and to project management.

Key Responsibilities

The key responsibilities of a PO usually include:

- Setting and maintaining consistent project management standards, through the implementation of a project management framework (often PRINCE2¹, PMBOK² or Agile³, a combination of these or a wholly customised approach appropriate to the organisation)
- Being the owner and steward of an organisation’s project management processes, methodologies, documentation and tools
- Ensuring the successful delivery of projects and benefits delivery to the organisation, and
- Providing support to Project Managers and other project stakeholders.

There are two types of Project Offices which are focused on delivery, the Project Management Office and the Programme Management Office. The concept of the Programme Management Office, its functions and the benefits in having one are explored in more detail in the Nonsuch Consulting white paper ‘PMO, PgMO, or EPO? Selecting the best option’.

Note: The preferred acronym for a Programme Management Office is PgMO. For this white paper we will focus on the role of the Project Management Office, but it will be referred to as the Project Office (PO).

Core Functions

The core functions of a PO include:

Project Management Function	Description
Governance & Organisation	Ensure projects are properly formed based on a sound business case. Implement the overall framework for managing and governing projects.
Training & Mentoring	Train, develop and support Project Managers.
Project Management Tools	Implement standard tools and templates for planning, delivering and monitoring projects.
Quality Assurance	Implement a regular project audit/health check process, assess project performance and provide constructive feedback.

¹ PRINCE2 (Projects IN a Controlled Environment) – a project management method covering the management, control and organisation of a project. PRINCE2 refers to the second major version of this method. Created by the Office of Government Commerce (OGC) in the United Kingdom.

² PMBOK (Project Management Body of Knowledge) – an internationally recognised standard providing the fundamentals of Project Management, created by the Project Management Institute (PMI).

³ Agile – a disciplined project management process that encourages frequent inspection and adaptation, a leadership philosophy that encourages teamwork, self-organisation and accountability, a set of engineering best practices to allow for rapid delivery of high-quality software, and a business approach that aligns development with customer needs and company goals.

Planning & Scheduling	Implement standards for the planning and tracking of projects. Provide a consolidated view of projects.
Risk & Issue Management	Implement risk planning and management processes and ensure the mechanism for dealing with issues is robust.
Review & Reporting	Track the status of projects and provide a consolidated view of progress across projects.
Change Control	Develop and implement a process for cohesively identifying, assessing and approving changes to project scope.
Resource Management	Build and maintain an overall project resource plan. Align the supply of resources and skills to the demands of projects.
Benefits Management	Plan and track the delivery of benefits arising from projects.
Stakeholder Management	Implement the discipline of engaging and managing stakeholder input to projects.

The optional functions of a PO include:

Project Management Function	Description
Cost Control	Ensure project finances are being managed and reported.
Vendor Management	Ensure there is rigour in the procurement and management of third party products and services.

Common Challenges

POs often face three common challenges related to their reason for existence:

1. How does an organisation ensure it is ***doing the right projects?*** This involves identifying, assessing, prioritising and maintaining the optimum portfolio of projects and maintaining that as a 'business as usual' function.
2. How does an organisation ensure it is ***doing projects right?*** This involves managing and controlling projects to ensure successful delivery.
3. How does an organisation ensure it is continually ***raising the bar with Project Management maturity?*** This involves improving and raising the level of Project Management capability within the organisation.

4 BENEFITS OF ESTABLISHING A PROJECT OFFICE

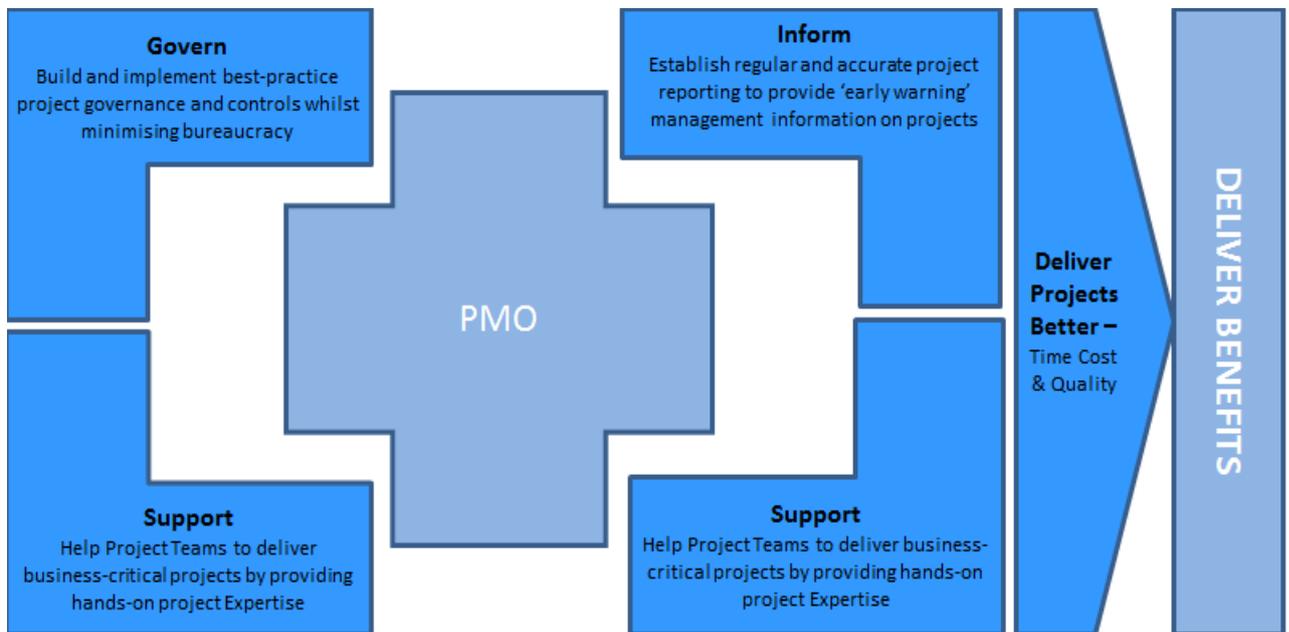
Far from being just an administrative function, a PO can deliver measurable capability improvements and considerably enhance the chance of project success in an organisation.

Key Benefits

The key benefits of an established PO include:

- Cost savings achieved through better resource management, reducing project failures resulting in more projects finishing on time and within budget and therefore more likely to realise benefits
- Increased customer satisfaction through successfully delivered projects
- A consistent and professional approach to delivering projects through the development and refinement of reusable processes, tools and templates
- Development of skills and competency through dedicated training, development, coaching and support which builds the organisation’s capability to deliver project
- Visibility across an organisation and/or department of all projects, and
- Projects delivered in a more efficient, controlled and focussed way.

The following diagram shows how the role of the PO links directly to improvement in project delivery and ultimately in delivering project benefits.



The Role of the PMO

Facts and Figures

Some compelling information and statistics on the benefits of implementing a PO include;

- Organisations with POs complete twice as many successful projects than those without POs
- POs can deliver a return on investment in 3-6 months by providing the visibility needed to cancel, postpone, speed up or scale back projects
- Those with a PO operating for more than four years reported a 65% increase in their success rate
- 76% of surveyed companies reported that the longer the PO had been in operation, the more project success rates improved
- As POs mature, they are significantly better at meeting critical success factors, including having effective sponsorship, accountability, competent staff, quality leadership, and demonstrated value

Note: These statistics come from CIO Magazine and Center for Business Practices: "State of the PO, 2007-2008."

5 DOES MY ORGANISATION NEED A PROJECT OFFICE?

Key Considerations

There are a couple of key considerations when determining whether to set up a PO in an organisation.

Firstly, is there a desire, particularly from a management perspective, to improve project delivery in the organisation? How a PO and its Project Managers are valued by an organisation will impact directly on its implementation and ongoing success. Even the best ideas can fail to come to fruition if buy-in to this organisational change (the establishment of the PO) is not forthcoming.

Secondly, does the organisation understand its current state? What is the current project maturity level in the organisation? What are the areas that need to improve? Has the success of projects been more by good fortune than good management? If an organisation does not understand its current state, then it is virtually impossible to measure increasing maturity and therefore the benefits that accrue with a PO.

Project Maturity

Assessing the level of project maturity determines the state of an organisation's project processes, procedures, and tools revealing their strengths and areas requiring improvement. Performing an assessment of maturity against a standard model gives an organisation the opportunity to compare like for like against other organisations.

Twelve key areas are assessed

1. Project Setup
2. Organisation
3. Schedule / Planning
4. Budget / Costs
5. Project Scope
6. Resource Management
7. Risk and Issue Management
8. Communications and Reporting
9. Stakeholder Management

10. Vendor Management
11. Benefits Management
12. Project Office

Knowing the baseline maturity level gives management the ability to make informed decisions about their desired end 'vision' and to effectively plan for it.

There is no "one size fits all" approach when it comes to POs, they can vary widely in structure, roles, responsibilities, reporting lines, resource and authority.⁴ Knowing the volume of projects your organisation typically delivers in a year and/or the desired volume in the year/s to come will determine what type of PO might suit best. For a small company, completing only a handful of projects, a formal PO may be considered an overkill. A PO should be an enabler and facilitator to an organisation's success with projects and not a burden or an impediment.

Questions to Consider

There is a myriad of questions to consider when evaluating an organisation's current position and whether to implement a PO, here are just a few:

- What issues does your organisation currently face when managing and delivering projects?
- Are expected benefits realised on projects completed in your organisation?
- What are the targeted goals of your organisation?
- What is the mandate for a PO?
- What resources (budget and people) are you able to commit to a PO?
- What project governance does your organisation currently have in place? In that model, what works well and what doesn't?
- What is the culture of the business like?
- How well do your business units and departments work together?
- What evidence is there that the organisation identifies and delivers the right projects?

An organisation's analysis of the answers to these questions will go a long way to understanding what type of PO and what approach to take when considering an implementation. The gathering of 'as is' metrics around project performance will contribute to making informed decisions around whether to invest in a PO or not. The metrics and the desired end state require careful analysis and discussion. One of the key drivers for an implementation of a PO is a general observation that projects are failing at an unacceptable rate or that there is a lack of confidence in the general ability of projects to deliver required change.

There are several commonly accepted approaches to implementing a PO. The authors would like to suggest the following approach in the next part of the White Paper.

⁴ All of these are explored in more detail in the second Nonsuch Consulting white paper

6 SEVEN STEPS TO IMPLEMENTING A PROJECT OFFICE

Once an organisation has made the decision to invest in a PO, then a series of discrete steps need to be undertaken and the high-level steps are displayed in the diagram below with each step described in more detail.

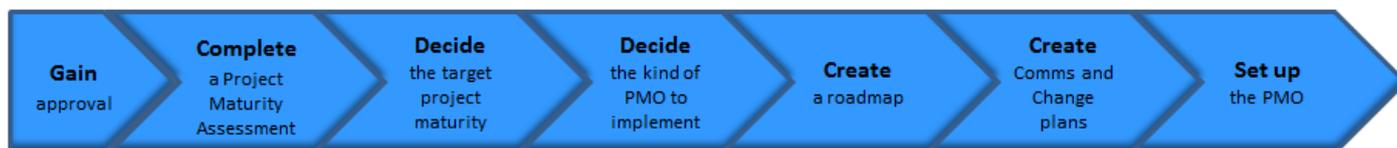


Figure 2 – Steps to Implementing a PMO

1. **Gain approval** — A Mandate will be required to outline the kind of PO an organisation intends to implement. The Mandate provides the implementer with approval and active support from the Chief Executive or a fellow key Executive. The Mandate is usually in the form of a letter or memo outlining the organisation's requirement and commitment to the PO.
2. **Complete a project maturity assessment** – Understand and baseline the organisation's current project maturity level on a scale of 0-5, see Appendix A to view a detailed model. It will assist when deciding on what the organisation's target maturity level should be and how the PO can help the organisation achieve the goal.
3. **Decide on your target project maturity** – Use the information gathered from the maturity assessment to determine the desired project management maturity level for the organisation and set a realistic timeframe in which to achieve this.
4. **Decide on the kind of PO that best suits your business** – Use the information gathered in the maturity assessment and knowledge of the organisation to determine the right kind of PO required⁵. The decisions need to be documented in the PO Terms of Reference. This document becomes the foundation document on which the PO is developed. It will contain a lot of the information gathered in the following steps and becomes the guide to a successful implementation.
5. **Create a roadmap** – Create a high-level plan or "roadmap" to outline the key steps to achieve the organisations end vision. Key milestones in the roadmap can include:
 - setting up and resourcing the PO
 - creating and delivering a project management methodology specific to your organisation
 - creating and implementing project management processes and templates
 - refining organisational governance to formalise project selection and enhance delivery
 - delivering project management themed workshops / training, and
 - implementing associated technology, if any
6. **Create Communications and Change plans** – a comprehensive communications plan is required to demonstrate how the PO will be introduced to the organisation and how stakeholders will be kept informed of progress and successes. A change plan is also essential to ensuring buy-in to the implementation of the PO.
7. **Set up the PO** – once all the above steps have been successfully completed, it is time to implement the PO. This is best delivered by creating a project to manage the timings, costs, resources, quality and scope associated with running any other project. Of course, because of its very nature, it will be a model project and subjected to much closer and fiercer scrutiny!

⁵ The second Nonsuch Consulting white paper – 'PMO, PgMO or EPO? Selecting the best option' can also assist in this decision making

7 CONCLUSION

All businesses have strategic goals that require change to the organisation; its resources, its systems and to some degree its tools. Changes to these elements are best delivered through projects and POs are best placed to manage these projects.

A successful PO delivers two main functions:

- Providing visibility to the Executive of project progress to the stated strategic outcomes, and
- Providing steerage and the right environment for projects to ensure successful delivery.

Effort and commitment are required in implementing a PO, this is not an exercise in just ticking boxes. Depending on the current project management maturity level in an organisation, the above steps usually take from between 12 to 36 months to complete successfully. However, the benefits to the organisation can flow almost immediately from the first day the PO is 'open for business'.

8 REFERENCES

1. <http://searchcio.techtarget.com>
2. <http://www.cio.com/article/29887/WhyYouNeedaProjectManagementOfficePMO>
3. <http://www.corneliusassoc.com/ca/new/impact/June%202005/CulturePMO.htm>
4. The Complete Project Management Office Handbook (second edition), Gerard M. Hill.

9 ABOUT NONSUCH CONSULTING SERVICES

Nonsuch Consulting Services is a New Zealand owned independent provider of project, programme and portfolio management consulting and delivery services. We offer a broad range of services including;

- Portfolio Management – the art of managing the entire collection (or Portfolio) of programmes and projects in a typical organisation. Services include the mobilisation of:
 - Portfolio Management (including Portfolio Prioritisation, Portfolio Governance, Portfolio Management collateral and templates, Portfolio Management toolsets)
- Programme Management- the ability to group a like-minded collection of projects into a programme where the focus is on Benefits, Change, Dependency, Resource and Integration Management. Services included the mobilisation of:
 - Benefits Management – (including Benefits Management methodology, Benefits Realisation framework with templates and training)
 - Change Management – (including methodology and training)
 - Dependency Management – (including methodology, templates and training)
 - Resource Management – (including methodology, templates and training)
 - Integration Management – (including methodology, templates and training)
- Project Management – Delivery, Rescue, Mobilisation, Methodology Development, Estimating, Stakeholder Engagement, Communication, Scheduling Management, Crash Costing, Risk Adjusted Budgeting, Independent Quality Assurance, Health checks
- Project Office Management – PMO, PgMO and EPO Mobilisations, Project Office Reviews, Project Office Management Backfill, Outsourced Project Office Management
- Project & Programmes Reviews, Independent Quality Assurances (IQA) services
- Coaching & Mentoring in Project, Programme and Portfolio Management

Please visit <http://www.nonsuch.co> for more information or contact Amber McKinnon, Sales Coordinator, Amber is contactable on amber@nonsuch.co

The primary author of this document is Youssef Mourra, Director, Principal Consultant. Youssef is contactable on youssef@nonsuch.co

