The Role of the Project Management Office

By Andy Cuthbert

Overview

Taken statistically, 90% of companies consider project management competencies crucial, yet many still struggle to consistently manage projects effectively, improve processes and meet strategic business objectives. According to the Standish CHAOS Report (2009) only 32% of projects were completed on time, within budget and delivered measurable business and stakeholder benefits, including quality. The reasons are complex and interwoven, according to a KPMG\(^1\) survey of 252 organizations, inadequate project management implementation constitutes 32% of project failures, lack of communication constitutes 20% and unfamiliarity with scope and complexity constitutes 17%. Accordingly 69% of project failures are due to lack and/or improper implementation of project management methodologies.

Standard processes and techniques used inconsistently by project managers results in project management applied in a reactive manner, the time required to manage projects proactively is not built into the workplan. Project management is considered 'overhead' and projects are 'successful' in spite of a lack of planning and project management, through heavy stress and overtime work throughout the life cycle. A Project Management Office (PMO) involved in project-related tasks will follow up on project activities, reporting on project activities, problems and requirements to executive management as a strategic tool in keeping implementation and decision makers moving toward consistent, business-focused goals and objectives; this is the department or group that exists to define and maintain the standards of processes and methods within the project management organization. The PMO strives to standardize and introduce economies of repetition in the execution of projects and is the source of documentation\(^2\), guidance and metrics\(^3\) on the practice of project management.

The Pros and Cons

The University of Quebec at Montreal conducted a survey which revealed that the value and relevance of PMOs has been questioned in more than 50% of the organizations to have implemented one, but if the value cannot be described it will be difficult to persuade executives and sponsors that this is a required asset. Furthermore, there is little consistency in how PMOs are implemented and the exact reasons for deploying project management practices are different from company to company due to unique cultures and methodology.

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\(^1\) http://en.wikipedia.org/wiki/KPMG
\(^2\) http://en.wikipedia.org/wiki/Documentation
\(^3\) http://en.wikipedia.org/wiki/Performance_metric
While it is now common to find a PMO structure in many organizations, research shows they play a wide variety of roles and while, in a multi-product line organisation, the majority of managers understand there is value to having this facility, most find it difficult to articulate the value proposition.

To be successful, the PMO must be a value-added contributor to project and organizational success. They must be regarded as a facilitator of a greater dialogue between stakeholders and project participants. Organizations are looking for support and assistance in facilitating greater levels of collaboration, and the PMO is being increasingly seen as a resource to support these efforts. Research from the Economist Intelligence Unit found that organizations that do adhere to strong project management methods are consistently more successful than those that do not. Employing proactive and consistent processes will ultimately help projects run more efficiently, at lower overall costs and at a higher quality level. While the value of effective project management is undisputed, it continues to be elusive attainment for the unprepared. Good project management discipline, embedded in a PMO, can overcome these shortcomings. However, good project management skills are not a panacea, risks still remain and surprises may still occur. The value of a good PMO is one that has a proactive mindset and standard processes in place to deal with all of these events.

With the majority of projects today experiencing time or cost overruns, the question is not whether to implement a PMO, but how to implement a sustainable and cost effective PMO solution. To build a successful PMO and to realize the benefits quickly a disciplined focus on continuing improvement is required. What changes is how the events are dealt with when the project is in progress; is a proactive resolution sought with a smoothly running process in the face of issues emanating from a project, or are the problems dealt with haphazardly and reactively as they arise? The question is whether practical communication exists or misunderstandings arise caused by lack of project information.

Halliburton, as an industry leader in managing projects, installed a PMO to enable a maturing project management organization to grow, but certain steps and decisions were encompassed to establish a functional, relevant and coherent faculty. At the outset it was key to understand that the establishment of a PMO should not be considered a short term strategy or one that necessarily lowered operating costs; clear direction on how to quickly and cost effectively create a PMO and guidance on how to sustain and extend those benefits over time has resulted in organizations often focusing on the wrong parts of their PMO initiative.

A PMO often fails because the time, money or resources required exceeds the benefits, or because the benefits don't materialize in a timely fashion. This is reinforced through findings that indicate the average lifespan of a PMO is only two years, and that "PMOs are being shut down or recreated almost as fast as they are being created." In a recent survey, published by CIO Magazine and the Project Management Institute (PMI®), 76% of executives that had created a PMO in the past 3 years, reported that the longer the PMO had been in operation the greater the success rates to accomplish project goals.
In an organisation such as Halliburton, where the objectives, challenge solving and collaborative workflow integration are consistent and aligned to a PMO, enhanced and value driven project execution exists for all of its stakeholders. Acting as a focal point for reliable delivery of projects it can also accommodate the flexibility required to address individual project challenges. The project management principles and standardized processes Halliburton employs have been heavily influenced by industry certification programs and methodologies consistent with the PMI and the requirements related to ISO9000 as well as government regulatory requirements such as Sarbanes-Oxley.

Halliburton views the PMO as a strategic driver for organizational excellence and seeks to enhance the practices of execution management, organizational governance, and strategic change leadership.

**How is it Done?**

The leadership and subject matter expertise of an organization’s PMO team is a strong predictor of the ability to quickly achieve PMO benefits. Many PMOs function as ‘centers of excellence,’ consulting to ongoing projects on the processes and practices that will improve project success. But for many organizations deep subject matter expertise in project and portfolio management isn’t a competency that many staff possess and this lack of expertise makes it difficult to create a PMO. A PMO team takes appropriate steps to get started, and also has the depth and breadth of knowledge to sustain a PMO and deliver benefits to the organization over time.

An important initial step is to identify the organization’s key PMO stakeholders; correctly identifying these individuals is important for three reasons. First, establishing the strategy for implementing the PMO isn’t likely to be successful unless the perspective of leading management was taken into consideration. Secondly, opportunities are missed if some of these stakeholders aren’t chosen to actively participate in the core team directing the implementation of the PMO. Thirdly, as participants in the process, the stakeholders became champions of the PMO and a broad base of support expedited the introduction of the PMO to the organization.

Being aware of the key executive stakeholders is important – they may not all have been actively involved in the implementation, but they have become consumers of PMO information and it was essential to know what was most important to them. Faced with the continual need to realize competency in operations and ultimately in projects, especially in the uncertain economic times of the past few years, the imperative of finding efficiencies has been paramount and has influenced the projects that organizations take on, as well as the expectations of how these projects are delivered.

Where the PMO has become the standard component of any high performing organization the need to plan, develop and deploy PMO capabilities in a traditional model can be challenging, time consuming and expensive, but these are challenges that were understood, supported and managed by Halliburton executive management.
Implementing a PMO, or working towards an improvement in the capabilities of an existing PMO frequently involves suggesting changes to the way an organization practices project management. For example, asking project managers to follow a new standard, apply new rigor to their estimation practices, or make adjustments to the frequency, quality and methodology of their risk reviews all impact the way they are used to doing business. Organizations that want to achieve their goals quickly and efficiently know that how they prepare for those changes and communicate them is critical to the success of the initiative.

One method that can help ease the transition of process or standards changes is to make sure that the changes will result in value to all the stakeholders involved in the process. For example, if a new process asks project managers to provide project status information that will be aggregated into an executive report, then the project managers should see some benefit from that activity. Smart PMOs find a way to deliver the benefits to more than just the intended executive level – by using that same data to reduce reporting burden elsewhere or using it to build benchmarking that can help a project manager know how they rate against their peers and measure the value they’re providing. Maintaining open and proactive communications on a project is critical for managing the expectations of all the stakeholders to avoid a risk of issues arising due to differing levels of expectations. In many cases where conflicts have arisen it is not because of the actual problem, but because the client or manager was surprised by the outcome and effective and timely remedial decision-making no longer remains an option. The PMO is instrumental in ensuring that individual projects are maintaining strong communicative links with all stakeholders on the project progress.

By going through the exercise of creating a stakeholder communications plan, value statements can be formalized for each audience in the organization, defining how, when and what is communicated. This careful planning can make sure that expectations of stakeholders are met at every level and have the flexibility to adjust to changing circumstances.

As important as communication is, it can still be a time consuming drag on your PMO if not handled efficiently. Manual preparation of status reports and metrics, bubbled up through email chains and multiple consolidation steps can distract project managers who have to break off project work to support such ‘data calls.’

Hand in hand with the move to centralization has been the exploration of shared services strategies. The functional areas using a shared workflow model are growing. The value proposition goal is to achieve predictable results and coordinated project management processes and techniques which takes effort and resources, but the task the PMO may fulfill, beyond standards and methodology, is in the participation of Strategic Project Management either as facilitator or active as owner of the process, defining and collating best practices to exert influence and evolution of thought to continual organizational improvement.

4 http://en.wikipedia.org/wiki/Best_practice
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- Higher expectation-setting through up-front estimating, planning, risk analysis and project definition.
- More efficient execution through the use of common processes and templates.
- Utilizing proactive project management processes to mitigate potential project problems.
- Greater organizational decision-making through more effective project communication.
- Greater client satisfaction by building a higher quality product from the outset.

The coherent PMO faces both the opportunity and challenge of supporting collaboration. It is ideally suited to be a clearinghouse of information and a connector of resources. Through greater awareness of organizational strategy, increased visibility of individual projects/progress and the ability to coordinate interdependencies between projects, the PMO is positioned to be a critical lynchpin in supporting improved collaboration and a facilitator for greater efficiencies. By providing the means for the project repository it empowers distributed, business-centric project ownership, the PMO serves as a source of information on project methodology and standards. Project managers continue to report to, and are funded by, their respective business areas.

The project coach model assumes a willingness to share some project management practices across business functions and uses the project office to coordinate the communication. Best practices are documented and shared and project performance is monitored actively. The PMO in this model is a permanent structure with staff with some supervisory responsibility for all projects. In a mature organisation the enterprise project management office also assumes a governance process that involves the project office in all projects, regardless of size, allowing it to assess scope, allocate resources and verify time, budget, risk and impact assumptions before the project is undertaken.

Funding is generally a combination of direct, budgeted allocation for baseline services and a fee-for-service charge for others.

Another initial focus area is that of planning, a vital discipline allowing the project team and the client to have common expectations of what the project is going to cost, who the work will be assigned to, how it will be undertaken and an estimation of completion, in addition:

- Understanding and gaining agreement on project objectives, deliverables, scope, risk, cost, approach, etc (the Charter).
- Determining whether the original business case is still valid. It can also result in the cancellation of projects without a viable business case (Red Team Review)
- Making sure the resources required are available when needed.
- Providing a project baseline against which progress can be compared and measured.
- Working with the client ahead of time on the processes to manage expectations the project.
Quality management is about putting processes in place to ensure that the operation is of high quality by discovering problems as early in the project as possible. Project teams may be under the impression that their project is healthy until late in the project when delays in their deliverables begin to appear. At this stage there is little opportunity to rework the project without exceeding the schedule.

Intuitively it is faster and cheaper to reuse something that already exists rather than to build something similar from scratch, ‘reinventing the wheel’. Halliburton has created a set of project management processes and templates that are used consistently from project to project; each instance represents a savings of time that would otherwise have been spent on rebuilding the processes.

If you don’t know where you’re going, any direction will do - but uncoordinated efforts are likely to result in the failure of a PMO. Just like any other organization, PMOs are under constant pressure to demonstrate tangible results, and like any other organization that is growing and evolving it’s important to set expectations. A PMO roadmap documents the vision of the PMO as goals and milestones to be achieved, acts as a maturity framework, communicating to an organization what the PMO is working on in the near term and states how the PMO intends to deliver ongoing benefits. Halliburton conducted a maturity assessment and scored how well the organization was executing each of the primary process areas of PM. Once the maturity assessment was complete, the areas where improvement was most important to the project organization were prioritized. Effective roadmaps helped establish early credibility and manage future performance expectations.

**Objective Project Selection Process - Costs**

Reduction of costs is an ongoing source of pressure and area of focus; a continued drive to manage and minimize costs has a significant influence on how organizations manage and how they deliver their projects. Operations managers need to manage budgets while maintaining or even enhancing service levels; project managers are facing the demand to deliver more complex projects with tighter budget and resource constraints.

While the logic of cost efficiency and a move to shared services reinforces the logic of a centralized, enterprise-level PMO, the desire for divisional and business unit-level control is working against the idea and the promise of the coherent PMO. Centralized structures can be perceived as a bottleneck as much as they can be an enabler, especially when business units view their projects as strategic and there is a strong temptation to retain control over their management and delivery. Uniform organizational approaches are often seen as being irrelevant or inappropriate for specific divisions or project types. Where PMOs are responsible for process and delivery, there can be a particular source of resistance from business units that are used to managing their own projects and controlling their own project managers. These units are often unwilling to let go of control. They may view a central PMO as a threat to their autonomy or authority; think that projects managed at arm’s length will not fully support their needs;
or that project managers may not have the specific industry or subject-matter expertise that was experienced when projects were managed within the business unit.

The PMO should strive to measure project value based on alignment to strategic goals and objectives and to also select those projects that have the highest value scores. Using a project qualification process consistently enables the PMO to prioritize requests, and provide balanced recommendations to senior management. Effective PMOs recognize that only an objective, well defined project qualification process provides the ability to compare and evaluate incoming project requests. This intake process should assess each request to determine project suitability and priority based on pre-defined, well understood scoring criteria. Scoring should assess project viability in areas such as life cycle costs, resource requirements, compatibility, and most importantly, strategic alignment.

Without a project qualification process, a PMO loses the ability to identify projects that will consume resources without providing the needed benefit to the organization so instead, organizations are better served by taking a broader view of the tool selection and implementation process, recognizing that the ‘sweet spot’ of high-performance results from the balanced intersection of tools, process and people. The right choice is a full featured tool that tightly integrates with an organization’s processes, provides excellent ease of use, and delivers rich support to the user community.

**Measured Success**

‘What can’t be measured can’t be managed, and it’s absolutely true for projects. One of the key value-added functions of a PMO is its ability to identify struggling projects early, and assist with corrective actions before those projects degrade any further. As a result, effective PMOs establish standard performance measures across all projects and monitor those metrics regularly. The first step is to create a baseline that the project will be measured against; common performance measures like cost performance, schedule performance, and risk exposure may be well understood and easily quantified. Others, like customer satisfaction, are just as important to measure, but may require the invention of an objective method for gathering the data, so the results are consistent and interpretable.

However, in the course of working towards improved maturity in a particular focus area, organizations are often tempted to shift too much focus towards evaluating, acquiring, and deploying complicated solutions. Too many organizations make significant investments in tools and infrastructure that are difficult for the average staff person to use effectively, don’t deliver value to all stakeholders, and require expensive add-ons to obtain necessary functionality. Instead of being an enabling technology the user community struggles to use it effectively, and it becomes a stumbling block to increasing the project and portfolio management of the organization.

A process framework provides PMOs with consistent standards across all projects within an organization. Standardization of project processes augments existing PMO
guidelines, and completes the PMO project process framework. Process standardization serves many benefits, including:

- consistency in project execution.
- a basis for expected performance

Standards should be applicable to all projects, regardless of scope, cost, and schedule. Projects should be expected to participate in standard processes and produce output consistent with expectations. To make the process even more transparent to project teams, workflows can be used to automate the process.

Training for Project Teams

Effective PMOs realize that experienced project leadership goes a long way towards ensuring exceptional performance. Some organizations recruit experienced resources, but it’s often easier and more cost effective to grow organically. As the champions of project process and best practices, a core function of the PMO is to help grow mature, knowledgeable project managers and teams.

In order to provide this support, Halliburton PMO established a structured training curriculum, made learning resources easy for staff to find, search, and utilize and track the progression of staff members through the training curriculum and test to make sure that real learning has taken place. With this kind of structure in place the PMO is also well positioned to make recommendations on who has the skills to handle new work that the organization might want to take on.

Internal project audits provide metrics regarding compliance with PMO guidelines and processes. They can help make sure the organization is preserving the right project artifacts. Separate and distinct from ‘lessons learned’ activities, a project audit is a comprehensive review of project artifacts and can be initiated for a variety of reasons, including project complexity, phase review, and review of the business viability of the project. Conducted by impartial, non-advocate staff, project audits are another method of detecting weaknesses and prompting the appropriate remediation plan.

Summing Up

For any organizational practices to be used, they must allow project teams, managers, executives and business units to be more successful than they otherwise would on their own. This sets a high bar for organizational change. The goal of the coherent PMO should not be establishing a practice that supports the lowest-common denominator; it must invest in creating capabilities that are more effective and more relevant than the personal practices of individual project managers and teams. In a mature PMO investment is undertaken in solutions that harness the opportunities that current practices and technology make possible, and will invest effort in making it easier and more appealing to work within the context of the organizational project management approach, not outside of it. Above all, effective PMOs utilize project management best practices, employ repeatable processes, and are recognized for the tangible
improvements in project performance they provide to their organizations. As an execution specialist for organizational strategic initiatives, PMOs provide the necessary discipline, process, and resources for managing the cost and quality of one of an organization's most important assets, its projects.

When managed properly, centralization can be the source of considerable efficiency gains. The challenge is developing a strategy that meets the broader goals of the organization while still providing sufficient support for the needs of individual organizational units. The promise of the Enterprise PMO is providing a truly coherent focus for all projects in the organization — while still embracing the uniqueness of the different projects the organization undertakes. Over time therefore, a PMO should become the source for guidance, documentation, and metrics related to the practices involved in managing and implementing projects within the organization.

Finally, the most effective PMOs carefully consider the audience, method, and communication frequency for their performance measures, and capture their intentions in a formal communications plan. Appropriate communication of the performance measures can ensure that stakeholders at all levels of the organization are empowered to use the performance information and implement corrective actions.

Project management is an essential skill and capability for most organizations. Those organizations who are realizing the greatest value in managing their projects are those that have consistent, supported and relevant project management practices. They continually evolve, and invest in these practices and they are seen as being of critical value from the executive suite to the project frontlines. Creating and supporting this ongoing evolution is the role of the coherent PMO.

References

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About the Author

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Having graduated from the University of London with a BSc. (Hons) Geology in 1981, Andy went on to complete an MPhil. in Geology before joining the Oil Industry in 1984. He has 28 years of oilfield experience, 10 years with Schlumberger and 18 years with Halliburton. Amongst the years spent with Halliburton Andy has been involved in projects of ever increasing complexity involving the introduction and coordination of new technology. Time spent as the Project Coordinator for the BG Group in Tunisia in 1995 was succeeded by Project Management in Norway in a production sharing project and on the Talisman Gyda project in 2004. A move to Malaysia in 2006 saw Andy leave project management to take up a regional management position for operations in Southeast Asia, China, the Indian sub-continent and Australasia. A year after moving to Houston in 2009 he resumed his role in Halliburton Project Management and has participated in or is currently involved in projects in the USA, Tanzania, Singapore, India and most recently in Iraq. Andy has written or co-authored drilling industry technical papers for the Society of Petroleum Engineers (SPE) on both Directional Drilling and Multilateral Technology and given presentations to the SPE community all over the world.

His main hobby is rugby union; he is an International Rugby Board (IRB) Level II referee and currently lives in Houston with his wife and two children. To contact Andy, send email to Zelma.Branch@Halliburton.com. Halliburton’s corporate website is http://www.halliburton.com/.