Planisware

8 Steps to
Building a World-Class PMO

Table of Contents

Introduction

With **71% of businesses containing at least 1 PMO**, we're certain you're no stranger to the concept.

That said, if you're reading this white paper, we can assume one of two things:

- **You're about to build a new PMO and want to make it a success.**

- **You want to improve the performance of your current Project Management Office (or offices).**

But before you can get to work and build (or reform) your PMO, you must answer this one question:

Why do you want to build a world-class PMO in the first place?

A Project Management Office (PMO) is a group or department within an organization. Their duties involve: managing project portfolios, standardizing project management methodologies and frameworks, delivering project status reports, facilitating project approval processes, and more.

There's no straightforward answer to this question. But many businesses choose to build PMOs to help:

- **Improve the maturity of their project management processes.**

- **Handle large project portfolios or complex projects.**

- **Increase strategic alignment with business goals and objectives.**

- **Upskill project teams and standardize deliverables.**

A PMO acts as a project management pillar, upholding your methodologies, processes, and reporting. It can transform underperforming project teams, increase productivity and time-to-value, and even satisfy your once-unsatisfied stakeholders…

But only if you build it the right way.

How To Build a
Successful PMO

Unfortunately, there's no "Dummy's Guide to PMO building". That's because all Project Management Offices look different. Your unique needs and use cases will determine their size, function, and longevity.

But this doesn't mean you can construct a PMO blindly. With **50% of PMOs collapsing within 2 years**, you need to follow a watertight building plan. One that considers not only your needs but the needs of your stakeholders and project teams, too.

The following steps will help you create a world-class PMO that stands the test of time.

Step 1:
Build Your Business Case

Business cases are essential for communicating expectations and achieving sign-off. But they're also a great soul-searching exercise.

Fleshing out a business case will define the purpose of your PMO and guide its creation. Consider it your springboard for success.

Your business case must:

Define the 'why': Don't build a PMO just because every other business has one. Establish the *purpose* of your PMO. How will it align with your business's goals, vision, and mission? For instance, your 'why' may be to improve:

- **Strategic alignment via portfolios with operational activities.**

- **Decision-making capacities to better manage resources.**

- **Operational delivery by strengthening project management processes and tools.**

Clarify scope: Consider your processes, tools, and project management organization. Who will own the PM process, your PPM tools, and expected deliverables? Will you split this ownership? And what about task management - who is responsible for preparation, organization and follow-up?

Define high-level stakes: The three main stakes are timing, quality, and costs. However, it's worth noting you can't have it all. For instance, if you want high-quality deliverables, you may have to sacrifice delivery time. We'd suggest prioritizing one of these stakes, investing some effort into a second, and giving the third your best efforts. You'll need to determine your stakes based on your business landscape and goals.

Get granular with your stakes: Identify related data and figure out how to best manage them to get your desired results.

Identify and understand stakeholder needs: You must provide all of your stakeholders with the right information to ensure the management of *their* scope.

Find a strong sponsor: The PMO building process will be considerably easier if you have an ally. This should be someone who believes in the potential of your PMO and - ideally - holds a senior position.

Outline the investment factor: You need to set expectations. PMOs take time to build, and you may not see the desired results for 12 to 18 months. This is due to changes in tools, processes, and organizational practices.

Propose measurable results: This is for your benefit *and* your stakeholders' benefit. Build indicators that make changes visible - whether they cover time to market, cost reduction, better resource load plan management, or quality.

Define PMO level of services for each mission: Identify what your PMO will manage (e.g. PPM tools, processes, project delivery) and then identify what level of control it will have. Will it offer a Supportive function with little ownership? Or do you need a higher level of control?

If you're stuck for inspiration or worried about making a mistake, don't hesitate to reach out to others in the PMO community. You can **find a plethora of advice online** if you look in the right places.

Step 2:
Identify Your Stakeholders

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By 2025, 75% of all PMOs will dynamically evolve, with each step in evolution being based on guidance by business leaders responsible for pursuing strategic enterprise objectives.

— 2021 Strategic Roadmap for the PMO, **Gartner**

If you're looking to build a Strategic PMO, this part of the process will be essential.

Your stakeholders are the people you need to satisfy. They'll differ depending on your PMO's function and your business size, but could include:

- **C-suite executives.**
- **Departmental heads.**
- **Sponsors.**
- **External organizations, such as governing bodies for public sector organizations.**
- **Project directors or program managers.**

You may have a few stakeholders or many, spanning various roles and responsibilities. For the PMO build itself, your 'big fish' will be the person or people responsible for signing off the plan. (Though don't forget the other stakeholders you'll need to support along the way.)

Armed with this knowledge, build portfolios, roadmaps, and indicators that support stakeholder decision-making processes. Tailor these around their individual needs and the high-level stakes they aim to achieve.

Step 3:

Tailor Your PMO Model to Your Environment

Many organizations follow loose **PMO classifications** based on their PMO's expected authority, hierarchy and location.

You can determine which is right for you by answering the following questions:

Based on a PMO's authority

1. **Will your PMO mainly act as a consultant, managing and sharing resources to help your teams?**
   If so, you may need a Supportive PMO. These offices have very little control over project teams and act as a center of excellence.

2. **Do you need more structure to guide your inconsistent project teams?**
   If you're desperate for standardized, streamlined processes, you might opt for a Controlling PMO. This office has moderate control over project management. They create methodologies, templates, frameworks, and standards.

3. **Is your project large, complex, and sensitive? Or do you have very little project management maturity?**
   The Directive PMO heavily controls projects and project managers. They direct the creation and implementation of frameworks and methodologies.

Assess your Project Portfolio Management maturity

Benchmark your maturity with our quick 30-question survey and receive a tailored report full of helpful recommendations.

Take the survey

Based on a PMO's location

1. **Where are most of the projects you need to support?**
    If they're in a specific department - such as IT or R&D - you may need a Business Unit PMO. These offices prove project support to a particular department.

2. **Do you need project support across your entire business?**
    Enterprise PMOs can handle enterprise-wide strategic projects.

3. **Do you only need help for one specific project?**
    Project PMOs deliver temporary, focused support for individual projects.

How to choose your PMO

Your decision will depend on a number of factors, including:

⚙ Industry and project type

Remember, every project comes with its own complex variables - such as length, breadth, and cross-functionality - which your industry only *adds* to.

If an organization has no projects to manage, a PMO won't be necessary.

But consider an aeronautics company that handles complex, large-scale projects. This organization may require multiple PMOs to ensure quality, compliance, budget alignment, and cross-team coordination. Because of the nature of the industry, the PMOs will likely have greater control.

On the other hand, a business in a highly competitive market where innovation is the key will prioritize time to market over quality. In this case, a Supportive PMO may suffice.
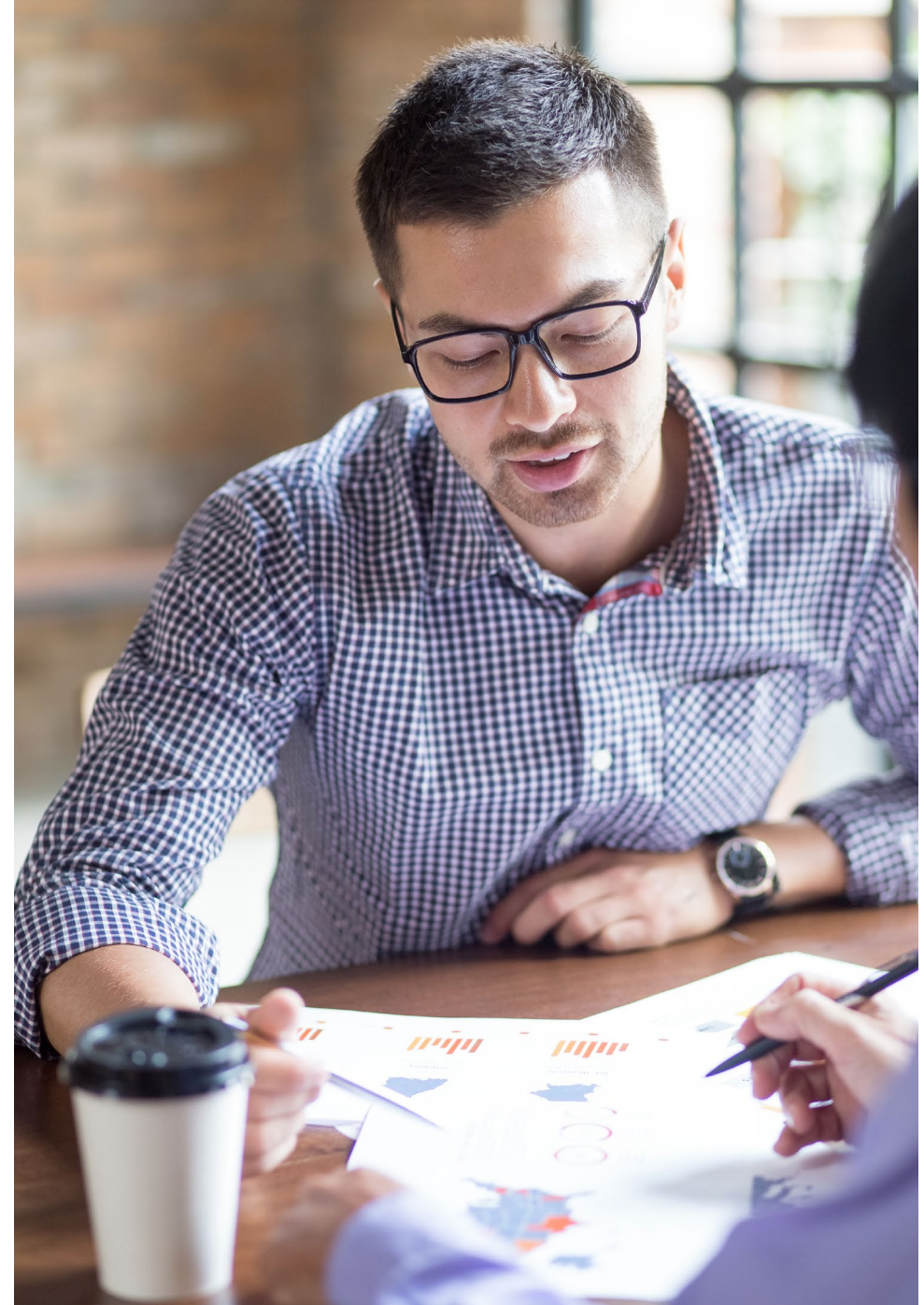
Project maturity

If your business employs capable project managers but has very little project management structure, a Supportive PMO may be suitable.

However, if you suffer from disorganized teams and inconsistent project standards, a Controlling or Directive PMO will be necessary. These PMOs provide more hands-on support.

You can gauge your maturity with our **free assessment**.

Organization size

Enterprises with larger project portfolios and teams would suit larger, Enterprise PMOs and/or dedicated Business Unit PMOs. Think of large banks with complex projects, regulatory considerations, and multiple offices.

On the other hand, smaller organizations may only need a single PMO. The importance of the projects it facilitates and project team maturity will determine its model.

Step 4:
Evaluate PM Tools

Almost every business uses at least one tool to manage their projects, even if it's just a simple to-do list or Excel spreadsheet. These tools may serve their purpose, to begin with.

But, as you increase the maturity of your project management processes, old-school tools simply won't cut it. And they may end up frustrating your project teams, too.

Before you can search for more robust tools, evaluate your current pain points:

- **Do you frequently miss deadlines? Are your tools able to track these missed deadlines?**

- **Are you using basic PPM tools, such as Excel? And do your project teams complain about your current tools? What are their frustrations?**

- **Can project teams communicate effectively? Are they satisfied with the information they provide and the time spent on reporting to stakeholders?**

- **Can project teams access the necessary conditions (such as project information and timeframe) to complete their tasks?**

- **Can all stakeholders view project dashboards, timelines, and metrics with ease?**

- **Can managers prioritize tasks based on urgency and strategic importance?**

- **Is it possible to plan and schedule resources efficiently?**

- **Do you have clear ownership of your PM tools? Have you assigned product owners and administrators to oversee their maintenance and evolution?**

Your project management tool must **complement your PMO's responsibilities**. If you discover your software hinders project delivery, communication, information sharing, and reporting, find a better alternative.

Step 5:

Take Stock of Your PPM Landscape

You should hopefully have a few project ideas written down in your business case. At this point, it's time to assess how you will *execute* them. Consider tooling, financial dependencies, processes, and methodologies. For instance, you may require one methodology or a mixture of traditional and **Agile approaches**. You need to determine this based on your existing project management experience.

So, take stock of how your people manage their projects *now*. Are they happy with your current processes, tools, and structures? What are their main obstacles? To help your project managers and teams surface any pain points, ask them to *visualize what a good project looks like*.

Of course, any decision you make *must* complement your other projects and global PPM landscape. After all, if your projects follow different methodologies and use different tools, it will be difficult to manage them comprehensively.

Step 6:

Determine How You'll Report Progress

Reporting project progress is a key responsibility for all PMOs. Without it, it'd be very difficult to make any educated decisions.

And yet, 54% of project management practitioners **cannot access real-time project KPIs**.

Your PMO must follow these steps:

1. **Take stock of what you already track.**

2. **Determine what you need to track immediately (and what can wait).**

3. **Choose which type of information or metric is necessary for accomplishing this.**

4. **Assess whether you can compile this data and, if so, how.**

5. **Set up a data collection system and accessible dashboards.**

6. **Analyze your results and tweak your processes to match strategic objectives.**

A lot of this hinges on data. Of course, it's hard to collect and analyze this data manually. Project management tools may help, as they can standardize project templates, and consolidate and automate data collection.

Armed with this knowledge, build portfolios, roadmaps, and indicators that support stakeholder decision-making processes. Tailor these around their individual needs and the high-level stakes they aim to achieve.

Step 7:
Don't Forget Change Management

Don't expect everyone to be happy or cooperative with this new change. Some people won't like the idea of a PMO taking away aspects of their freedom. Others may expect the PMO to spoon-feed them or absorb some of their responsibilities.

You must prepare for these difficulties. How are you going to bring about this change and help people come to terms with it?

If you're adopting new tools or changing your methodologies, how do you plan to train your people? Do different roles require different training pathways?

And if you require project teams to fill in new, standardized templates… How will you incentivize it?

Consider all the changes and difficulties that may arise during and after the PMO build. You'll need to **maintain this change over time** - not only at your current project level, but for any new comers you plan to hire down the line. The more support and training you provide, the smoother your PMO and project teams will function.

Step 8:
Communicate Effectively

You've set up your PMO, changed your processes, and trained your teams.

Now, your PMO is a fountain of knowledge, standards, and data. It's the first port of call for your project managers. It also holds a wealth of answers for your stakeholders.

Sitting in between project groundwork and business strategy, your PMO must learn to communicate effectively. This includes reporting on project progress, demonstrating value, and filtering down business goals and priorities.

To ensure there's no project and strategic misalignment:

- **Identify *who* you should communicate with:** You need to understand the chain of command (whether it's strategic, decisional, or operational) at each level and pinpoint who is in charge of decision-making. That way, you'll be able to talk to the right people, about the right subjects, at the right time.

- **Create a communication plan:** This should cover *how* your PMO and project teams communicate, what you communicate about, how you tackle issues, and how you demonstrate value to your sponsors and executives. You'll also have to consider knowledge management in regard to tools, processes, and expected change.

- **Don't over-communicate:** Yes, your stakeholders want to receive your progress reports. But, they don't want to video call you every other day. Be respectful of people's time and preferences and determine whether you need to push or pull information. Ultimately, you should streamline communication at all levels, ensure progress reports take as little time as possible, and communicate useful information only.

- **Practice active listening:** Your PMO will have to listen to ideas, frustrations, and requests from project teams and stakeholders alike. As project managers are the key providers of data, you'll especially want to listen to their feedback. Active listening will help you empathize with their needs and build better relationships.

Nothing's
Set In Stone

The foundation of the PMO is changing. This means it's an incredibly exciting time to build a new PMO (or refactor a current one).

With these 8 steps, you'll construct a Project Management Office that's aware of its responsibilities, dependencies, stakeholders, and - most importantly - potential.

But, like anything in life, nothing's set in stone. Once your build's complete, continue to measure the success of your PMO. Then, use the lessons learned to implement continuous improvement at a controlled pace your organization can keep up with.

> The PMOs in today's enterprises have a new opportunity — to help the domains they support adapt to the needs of the enterprises they serve.
>
> — **PMI's Pulse of the Profession (2021) report**

About
Planisware

Planisware is a global provider of software solutions for project portfolio management. Planisware solutions are specifically designed to support product development, engineering, and IT business processes.

For more than 20 years, Planisware has been helping its customers to achieve strategic and innovative excellence, make valid business decisions and increase portfolio value. Today, over 500 companies worldwide rely on Planisware products to manage their projects, resources, and portfolios.

Click below to find out more about Planisware's Enterprise Agile capabilities

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