

Developing a Project Management Office:



10 lessons learned in the trenches

By: Philip Felt, PMP, MBA & Colin Konschak, MBA, FHIMSS, FACHE

Research into initiated projects at over 500 companies concludes that:

- *34 % come in over budget*
- *13% fail to meet the goals established*
- *60% fail to meet return on investment targets*

In contrast, 86% of respondents who use a project management office (PMO) stated that the PMO leads to more successful projectsⁱ.

The number and complexity of projects occurring simultaneously within even a moderately sized integrated delivery network can be staggering. In order to deliver these projects on time, within scope, and on budget, the establishment of a PMO is essential.

This paper identifies the ten critical success factors (lessons learned) identified during our team's years of combined experience managing projects and establishing health care PMOs.

Success Factor 1: Establish a PMO Vision and Mission.

In discussions with providers and through independent research, we have identified that establishing a vision for the PMO early is a critical factor for success. Senior or executive leadership should develop the vision with the organization's goals in mind.

An example vision might read:

The vision of the PMO is to assist the operations department in ensuring that the correct projects are performed on time, by the proper resources, and in an agreed-upon and professional manner.

When selecting projects it is also important that the vision of the individual projects undertaken align with the goals and values of the organization. *This is the most important step in choosing a successful project* – no matter the size of the organization. For any project to be successful, the project vision must align with the goals and values of the organization.

WHAT IS A PMO?

The Project Management Office (PMO) in a business or professional enterprise is the department or group that defines and maintains the standards of process, generally related to project management, within the organization.

An effective mission statement clearly identifies why the PMO exists. It should describe the function of the PMO, how the PMO will conduct its business, and who the PMO clients will be.

An effective mission statement might read:

The mission of the PMO is to introduce and maintain a consistent approach to managing projects. It oversees the administration of projects to ensure support of the standards, methodology and technology defined by the organization.

Or:

Our PMO develops and supports project management methodologies throughout the organization, which enables us to deliver projects on time, within budget and within scope while exceeding customer expectations.

Success Factor 2: Align the PMO with Organizational Culture.

A successful PMO will require a variety of infrastructure components be put in place. While there is always some level of organizational flexibility, project stakeholders may resist doing things in a prescribed or dictated way. To overcome such resistance there must be support from senior management and the organization should rely heavily on input from its project managers and stakeholders when developing the PMO. Taking these initial steps during PMO development will help ensure organizational support of the provision of necessary resources to meet project demands.

Success Factor 3: Link PMO Strategy with Organizational Strategy.

PMO strategy, like business strategy, is the high-level roadmap that describes how the PMO will achieve its mission. Strategic alignment between PMO and business strategy is a two-way process in which overall business strategy shapes the direction of organizational project planning, and, in turn, project success impacts enterprise success. Strategic alignment of a PMO and/or a project must take into account strategic focus, operational efficiency and team leadership. The extent to which a project is focused on each of these dimensions determines the project's level of "strategic maturity". Research has shown that higher levels of strategic maturity are associated with higher levels of project success.ⁱⁱ

"Our PMO is a key component of the IS Department's success. The PMO team of 20+ project managers and business analysts work hand-in-hand with our customers and vendors to ensure that projects are delivered in a quality manner and aligned with business goals."

~ CIO of a large, integrated health system in the Southeast

The PMO's fit with organizational strategy is just as important as the PMO's fit with organizational culture. Early PMO strategy definition will ensure alignment with overall organizational strategy. An effective PMO strategy is long-term - three years on average - and is used as a roadmap for the organization's tactical plans.

Once the PMO strategy is established, it is critical for PMO leadership to follow this strategic roadmap. Each and every project is important to an organization. Each project requires precious resources that can be used in many different ways. Projects that support the organization’s strategic roadmap will find support by leaders in the organization. This point becomes quite clear when an organizational leader must release a team member from his or her current duties to join the project team.

Success Factor 4: Define, Define, Define.

As a new organizational entity, the PMO must have clearly defined terms, roles, and purposes beginning with leadership’s definition of a vision and mission for the PMO as discussed in Success Factor 1.

All of the processes associated with defining, planning, and executing projects are considered part of project management. Project management can be defined as, “The application of knowledge, skills, tools and techniques to project activities, in order to meet or exceed the needs and expectations of a project.”ⁱⁱⁱ

Project management requires general management knowledge and organizational discipline. The principles, practices, concepts, techniques, tools and skills of general management are the foundation for project management. The general skills of an effective project manager include the ability to:

- Work well with people
- Take responsibility
- Lead a group
- Make decisions

PROJECT MANAGEMENT:

The application of knowledge, skills, tools and techniques to project activities, in order to meet, or exceed, the needs and expectations of a project.

A well-written project management methodology provides definition of the principles, tools and techniques for projects and project managers. For example, in order to secure the very best project management resources for the PMO, and thereby ensure PMO success, management must first be able to define the project manager’s role, skill set and experience. The success of the PMO will have a direct correlation to the people who are performing in these roles.

Finally, the importance of terminology standardization during PMO development cannot be overlooked. Standardization of key terminology used by organizational leadership, PMO management, project managers and project stakeholders establishes a common language as a basis for understanding and exchange of information between parties. If used consistently, standardized terminology results in enhanced accuracy, efficiency, communications and reliability. Initial terms that an organization should consider during PMO development include project, budget, process, project management methodology, project manager, roles of the PMO, and PMO clients.

Success Factor 5: Identify Stakeholders.

Stakeholders are individuals who have a vested interest in the success of a project. The identification and input of stakeholders helps to define, clarify, drive, change and contribute to the scope and success of the project. Stakeholders include:

- Organizational leadership, including the C-suite;
- The project sponsor, who leads in getting the need for the project recognized;
- The project manager, who has ultimate responsibility for ensuring project success;
- The users, who are the people or department(s) using the product of the project; and,
- The project team members, who are responsible for performing the work on the project.

The most important stakeholder is the project sponsor. The project sponsor should have the influence to ensure that the project has sufficient priority to enable success. The sponsor is also responsible for providing the financial resources to successfully complete the project. This is critical as funding and staffing will ultimately determine the outcome of the project.

What do these stakeholders want? The answer is simple: to have their projects delivered with high quality and to be completed on time and within budget. That's it.

To ensure project success, the project management team should:

- Identify stakeholders early in the development of the PMO;
- Determine stakeholder needs and expectations; and,
- Manage and influence stakeholder expectations over the course of the project.

The management of stakeholder expectations can be difficult when conflicting goals and expectations are present. For example, stakeholder expectations may require more resources than are currently available. Or, a major project that does not have the backing of senior management might have difficulty achieving success. Finding appropriate resolutions to these differences is a key to successful project management and a key role of the project manager.

Success Factor 6: Identify Customers.

The PMO must identify who their customers are early before effectively identifying PMO strategy. Without input from the user (customer) community, projects have a higher probability of failure during delivery.

Customers are the departments or individuals who request PMO support. Remember, it is the customers' projects that the PMO supports. The success factor for a project increases when:

- User needs are defined early;
- These needs are stated within the project goals and metrics; and,
- User needs are directly traceable to the final solution.

Success Factor 7: Define the Methodology.

Project management methodology is the fundamental concept used to define, plan and execute a complex project or activity. In short, it is the framework and materials that will allow the PMO to conduct their work as project managers and successfully deliver projects on time, within scope and within budget. These materials might include process documents, best practices, guidelines, policies, and tools and templates.

Project management methodology standardizes and organizes complex tasks across teams and departments to ensure that these teams and departments:

- Conduct projects in a disciplined, well-managed and consistent manner;
- Deliver projects for quality products and results that meet prescribed objectives;
- Follow repeatable processes; and,
- Complete projects on time and within budget.

Project management methodology must be flexible so that it can evolve over the PMO lifespan. As the organization grows and becomes more complex, it must adapt in order to continue to deliver successful projects in a more complex environment.

Finally, an organization’s project management methodology is a critical piece of intellectual property (IP) and should be safe-guarded. The management of IP is discussed further in Success Factor 10.

Success Factor 8: Identify Appropriate Metrics.

Transparency is tantamount in today’s health care environment. This is also true in project and PMO reporting. The flow of information from the PMO on project status and overall PMO benefit should be clear, consistent and constant. The PMO should establish and collect metrics that demonstrate its effectiveness at delivering projects as well as metrics that clearly demonstrate how the overall organization benefits from its work.

Information generated during the tracking and monitoring processes form the basis for reaching a judgment about the project status and whether corrective action might be required. It also allows the project team to answer these specific questions:

- Where is the project on schedule, performance, objectives and goals?
- What is the status of activities that were to be completed?
- How does this status impact future project activities?
- Are the project stakeholders comfortable with the results of the project?

According to a study by Gartner, 70% of large IT projects fail or do not meet expectations. The most common reasons: project management, project planning and communication.

~ “Why Operations Projects Fail”,
November 2002

The PMO should track and report on the major project variables of performance, time and scope. This information is generally provided in the form of weekly or bi-weekly project team status meetings to discuss barrier and milestones, written status reports, and updates to the project schedule.

How and what is to be tracked is based on the complexity of the project. The minimum tracking and monitoring components for all projects, regardless of size, include:

- Status: Current activities and planned activities
- Schedule: Comparing the planned schedule to the actual progress to determine the current position. Key items include:
 - Task-planned vs. actual start/finish dates
 - Project actual start/finish dates
 - Impacts on overall schedule
 - Workarounds or corrective actions currently in place to adjust schedule variance
 - Issue log and status reporting

The project manager should first focus on putting in place the most critical parts of tracking and monitoring and then add additional items as necessary.

Success Factor 9: Train PMO and Organization Staff.

Training is a core service that the healthcare PMO can offer to the organization; however, the first step for the organization is to ensure that the employees who are staffing the PMO are adequately trained.

As research demonstrates, and as we have seen in practice, a key issue in PMO performance is the personnel competency^{iv}. PMO personnel should be trained in the core competencies of project management, at a minimum, and it is our strong recommendation that PMO staff also be certified as a Project Management Professional (PMP) by the Project Management Institute (www.pmi.org).

Once the PMO is staffed with qualified and adequately trained resources, then training can focus on educating the organization as to the benefits of project management throughout the organization.

Success Factor 10: Manage Intellectual Property.

The PMO will develop, purchase and/or create a significant amount of intellectual property (IP) during the development phase and even more IP when fully functional. A large part of the PMO's job involves managing this knowledge and providing project leaders and team member's easy access to it.

IP takes many forms, including project management methodology, lessons learned from completed projects, tools and templates.

For example, the purpose of the post-project evaluation report is to document lessons learned from each project. Identifying problems on completed projects provides a method by which to discuss the issue and eliminate similar problems in future project endeavors. The post-project evaluation report is an example of both PMO-developed IP and a source of organizational competitive advantage.

A variety of technologies, such as SharePoint® or The Project Network®, can be helpful in managing IP; however, the PMO must make its decision to commit necessary resources to maintaining these technologies early in PMO development so that it can better choose and maximize such tools.

Summary & Conclusions

In almost any health system today, a tremendous number of projects are underway at any one time. Whether operational or technical in nature, these projects will benefit from a rigorous approach to project management.

The development of a PMO will improve the caliber of project management within an organization. Developing a successful PMO requires:

- Support of senior leadership
- Commitment of resources (human, financial and technology)
- Strong organizational commitment to its success

The Value Proposition

This whitepaper is the result of many years of experience in developing multiple PMOs in healthcare organizations around the country. From this experience, we offer here the ten most prevalent areas to consider when developing a PMO. There are, of course, more areas to consider, and many depend on the individual environment and culture of the organization itself; however, those considered here are considered critical to any organization.

When approaching senior leaders about the possibility of developing a PMO, you should first prepare a strong value proposition. The value proposition for the development of a PMO within a healthcare organization is based on:

- A proven ability to execute projects on time, on scope and within budget due to the deployment of a proven project management methodology;
- The potential for higher customer satisfaction from project sponsors, end users and a variety of organizational stakeholders;
- An increase in the number of projects completed annually; and,
- A decrease in project-related risk.

About The Authors:

Philip Felt is a Partner with DIVURGENT and leads the Project Management Practice. He is a healthcare executive with a proven track record of success in program, project and change management in his 10 + years in healthcare technology. He has consistently demonstrated results in leading healthcare organizations through growth and technological change. Philip is a certified project management professional (PMP), a Certified Professional in Healthcare Information and Management Systems (CPHIMS) and is a Six Sigma Yellow Belt. He specializes in reengineering operational processes and creating and managing program/project management offices. Philip can be contacted at philip.felt@DIVURGENT.com.

Colin Korschak is a Partner with DIVURGENT and leads the Advisory Services Practice. He is a decisive, results-driven leader with demonstrated success in delivering multimillion-dollar consulting engagements on time and within budget, while maintaining client satisfaction. Colin is a Certified Professional in Healthcare Information and Management Systems (CPHIMS), a Fellow in the American College of Healthcare Executives (FACHE), and a Fellow in the Healthcare Information Management Systems Society (FHIMSS). He is a registered Pharmacist, possesses an MBA in health services administration and is a Six Sigma Black Belt. Colin can be contacted at ck@DIVURGENT.com.

About DIVURGENT:

Founded by a team of consulting veterans, DIVURGENT is a national health care consulting firm focused solely on the business of hospitals and other healthcare providers. DIVURGENT provides advisory, interim management, revenue cycle management, project management, and modeling and simulation services to help improve patients' lives.

**We are committed to: Providing Thought Leadership • Providing Exceptional Value for our Services •
Facilitating Knowledge Transfer • Ensuring Client Satisfaction**



5919 Greenville Avenue
Suite 144
Dallas, TX 75216-1906

1340 Great Neck Road
Suite 1272
Virginia Beach, VA 23454

(877) 254-9794

info@DIVURGENT.com

www.DIVURGENT.com

NOTES:

ⁱ “Research: Project Management.” 2004. *CIOinsight*.

ⁱⁱ Shenhar, Aaron J., Dragan Milosevic, Dov Dvir, and Hans Thamhain. *Linking Project Management to Business Strategy*. 2007. Project Management Institute.

ⁱⁱⁱ *Project Management Book of Knowledge*, Third Edition.

^{iv} Hobbs, Brian. “The Multi-Project PMO: A Global Analysis of the Current State of Practice.” A whitepaper prepared for the Project Management Institute.

Divurgent is not affiliated with, or endorsed by, Microsoft Corporation or i.s. edge, inc.

SharePoint is a registered trademark of Microsoft Corporation. The Project Network is a registered trademark of i.s. edge, inc.