

PM WORLD TODAY – CASE STUDIES – MARCH 2008**Starting a PMO from Scratch:
A Challenge or Unbearable Burden?****By Florin Gheorghiu, PMP**

Editor's note: This is not a case study in the academic sense, but rather an essay by a PM professional in Romania who is experiencing first hand the challenges of implementing a Project Management Office (PMO). We thought it useful to share his thoughts through the case study section of PM World Today. If you have comments, please contact editor@pmforum.org.

It is obvious that the Project Management (PM) profession has become a globally recognized occupation and more and more companies, small and middle enterprises, consultancy firms, entities within educational field, are struggling to take a share in this widespread effort. Many are providing guidance, specific templates, tools, software and some other culture shaping instruments to assist the Project Manager in performing his/her assigned tasks.

There are currently two basic options for paving the Company's road to creating a veritable Project Management culture and attitude: first and most commonly seen is to employ Consulting services which in return for some capital expenditure and a big portion of personnel's time assigned to daily duties are ready to develop tailor-made methodologies, tools, templates, books and to create the needed mechanisms for a corporation to act as subordinating the Project Management tactics to wider strategic goals. It is thus a "follow-the-tracks" approach used by many Romanian companies which are not a combination of foreign companies acting in the country or subsidiaries of those as such. Organizations established some 5-10 years ago or sometimes even younger resort to this method; they hire a reputed consultant to help them accessing the rocky road of PM culture and tactics. The most common misconception is that they believe once the process of validating one custom made in-house methodology derived from either PMBoK Standard, PRINCE 2 or TenStep methodologies is completed, the Executives are eagerly waiting for tangible results to come out and visible outputs to be noticed soon. There is a lack of clear understanding of the fact that PM culture is more than tools, templates, tricks and tips and that soon the expenditures made with consulting services may be made worthless.

The second approach is that of creating first a Project Management Office (PMO) within the Companies, positioning it high enough in the organizational structure, gathering the most qualified resources (practitioners, project managers, project controllers), taking advantage of their PM education and culture, and using them as launching platform for those behind in the profession in the organization. When a critical mass of knowledge and resource pool is attained, the process of flowing top-down the lessons learned may begin, based on the lengthy but steady process of disseminating the know-how, culture, knowledge, tools and other PM specific methods down within the organizational branches.

This article does not address the situation found in many global corporation whose operations are internationally integrated and so also is the project management. It is also not a word of praise for blue chips in industry like banking, telecom or IT which are well advanced in the PM field thanks to the fierce competition displayed from late 90s' that forced them to adapt and to become projectized.

This article is meant to bring to light what could be called without any hesitation the emerging industries: the world of construction projects (infrastructure, highways, industrial plants) and subsequent horizontally connected branches (materials, transportation and logistics), and surely on the way to revive after stagnation, the energy projects.

After some years of non-synergistically and randomly coordinated projects, some companies have recently realized that growth cannot be exploited without long term strategic planning and drastic changes in tactical level of operations and projects. With abundant opportunities within the arm's length and with forecasts of billions in projects in years to come, companies were urged to adapt their management to today's most successfully proven concept: modifying the organizational structure translating from traditional to the matrix arrangement and embracing a project management culture. It is now the situation and this can be easily seen by the fierce competition for attracting the most talented and skilled resources in the market in order to support strategic goals.

The main trouble here is not the lack of resources but the quality of their performance with and for their companies. Executives have made just a half step when they realized the necessity for transforming organizations towards project management. It is not enough to ascertain you have to change something to make it work, the big challenge is to do it in the right way.

Those who were under immediate pressure for tangible results and did not call for the consulting services started on their own approach.

Others have figured out that a permanent watchtower rising up in the organizational structure is the best choice. Thus, internal resources are selected and put to work from inside the companies, benefiting from their technical knowledge accrued on years. Proper training sessions, attentive selection criteria could bring forth the best choice for an individual to run such a Project Management Office (PMO).

But how difficult is starting up a PMO for a company acting in the construction business and more than that, what is the benefit for doing so?

Many construction companies are well on the road to consolidation after some years of continued business improvement. Many foreign top players have taken a place on the starting grid, pulling the industry behind them. Since the projects become more and more daring and challenging everyone realized that a leap from traditional construction management techniques to the new approach must take place.

Some top companies have resorted to establishing a PMO as a replica of a similar entity found in other mature industries.

But burning faster than the natural stages of maturity development creates a hectic problem for those performing within the PMO; jumping from traditional construction company at a level of subcontractor to the main contractor for a huge construction project is a step not every company can take.

Being a Project Contractor requires more than concrete, cranes, glass or whatever else. A PMO is supposed to fill the organizational and managerial gaps revealed before and pave the Company's road to successfully completed projects.

Rather than starting with templates of budgets and cash-flows, time schedules and Work Breakdown Structures, a PMO should first explain why all these are necessary and why to some extent the paperwork would help the Company be more coordinated and coherent. Despite the abundant literature in crashing the PMO implementation cycle, this should not serve as a guiding point if the maturity of organization is not assessed.

The lesser mature attitude towards working with procedures, templates, schedules and plans, the longer is the time needed for PMO to successfully demonstrate its viability.

One thing that should be told from the beginning is that the PMO does not supersede the acting Project Managers as the opinion might be; it is simply there to help them run the project "by the book" literally, understanding by this the Manuals for Project Implementation developed by the PMO, in fact the classical Project Management Plan.

Another thing that is completely ignored is the power given to the Project Manager and the way he/she is viewed by the other project participants. It is not to advocate strictly for a Project Charter although a mature organization will not skip it, a formal letter addressed internally and externally to appoint the Project Manager will solve an incredible number of troubles in the future. This apparently simple document can bring order and discipline among the teams, showing everyone who the boss is on the project. In fact every project needs such hierarchical order for better control.

Emphasis should be placed on the organization for the main action: organize the project team in the office and organize the work force starting with site management down to the last worker. The Responsibility Assignment Matrix is a valuable tool for establishing order on the project. The power of this template should not be questioned since people tend to retain pictures compressing information rather than lengthy procedures.

Management is keen to know every week "where are we on the project course" and this is the most important document everyone remembers in the project environment: time schedules. In the form of incipient and rudimentary excel format type bars or drawn on paper with pencil and ruler, that was the past forgotten. Today these old formats are replaced by modern tools under the computer software environment. Companies may have spent fortunes on acquiring the user licenses and training the personnel in using them.

Still, a fracture between the planning and the execution with regard to the time schedule exists. Poor usage of powerful tools in many places can be noticed, bar charts with no dependencies between activities or costs entries on separate sheets. To the question above project managers help themselves with a guess or subjective assessment while tracking project progress as simply as possible. The PMO should provide assistance with these basic issues before getting up to the next level. Formats for Progress Reporting, the critical milestone schedule, the budget execution plan are the bricks at the foundation needed before applying earned value methodology, for example, or one can kill the project concept.

The PMO in the construction industry is more like a lighthouse for ships astray and not an elevated platform for highly ranked project management.

The key attribute is the fact that organizational maturity is behind the industry boom, companies are focused on their strategic business goals in terms of cash and profitability, they know they have to do something else to prevail over competitors. But they need to establish the PMO's main functions to fill the gaps which should have been filled with organizational maturity.

In the future probably we may notice a slippage in this attitude due to the bar raising throughout industry. The projects to start in the infrastructure, big construction projects, highways and bridges, huge shopping and leisure centres all over the world and in domestic markets, might act as a selection rule for immature companies that are not able to cope with tough tasks in the project environment.

Regional inflow of investments seen in the last years thank to the reasonable yields have made many of the top players to flock to the area eager to start three-four big projects and to cash the profit. As in IT industry that was on a crest of the wave some years ago, the sunny days may go away soon. The immense pressure on the labor price exerted by the labor unions, the increasing price of materials as well as the Government regulations might infringe upon the sector's profitability. In the end, a huge migration of foreign investors further to East will be noticed and domestic contractors will be left with no other choice than to survive on a continuous shrinking market. And who will survive after all is a lesson that should be taught these days: well and strong managed companies with clear process maps and methodologies, flexible and flat with short distance from decision to execution level. The PMO can provide the survival kit when passing the harsh times only for the players wanting to linger in a squeezing market.

Best attitude towards job completion and projectizing the works, coherent and coordinated approach, a platform for training and selection, central nervous system for the strategic goals in terms of what and when the projects should better fit within the Company's strategy, all these could be represented by the mature PMO inside an immature yet organization.

To make a breakthrough in the future many companies are beginning to realize that the PMO is the best answer wherever the projectized approach exists. But evidently its function may be a bit different than those normally seen at the mature and fully-grown companies in banking, telecom or IT. How good this approach is now is hard to say for the moment. Perhaps in the future we can benchmark the best in the market in order for the rest to learn where they are.

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