

# Establish a company pmo, ppm and governance structure

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A project management culture is important in today's competitive environment. If the company is to thrive and meet future financial targets, project management principles and practices must be a part of our business management model. Every employee must understand how critical this undertaking is. Below are examples (Gary, Larson, 2008) of business environment drivers that are moving the company to create this extremely important initiative. In high-tech industries, the product life-cycle is averaging 1 to 3 years.

Approximately 30 years ago, life cycles of 10 - 15 years were not uncommon. Time to market for new products with short life cycles has become increasingly important. The open global markets of today demand cheaper products and services but also better products and services. This coincides with the quality movement and the practice of building quality into the project plan. The growth in new knowledge and understanding has increased the complexity of projects because projects encompass the latest advances from the materials used to the specifications, codes, equipment and specialists required to complete the project objectives.

Increased competition has placed much emphasis on customer satisfaction. No one settles for generic products and services. The demand is around customized products and services that cater to specific needs. Years ago there was more of a "one-size fits all" approach. Now there is a great deal of selection. In summary, there are a substantial number of environmental forces requiring the company to take project management to the next step. The company project management initiative will position us for the future

business environment which will require increased accountability, flexibility, innovation, speed and continuous improvement.

This briefing will describe this company initiative and plans to create a Project Management Office (PMO), initiate Project Portfolio Management, an improved governance structure and addresses a change in culture to assure project management and proper governance are part of our daily activities. Establish Project Management Office Project Management Offices often have different styles (Morris, 2008). The company PMO will have a style of “Operational Partner.” The PMO is not only to create the project management methodology and governance, it will also help organizations grow and meet their strategic targets.

The PMO will also be a major factor in project selection through Project Portfolio Management (PPM). This will assure projects are being selected for their overall contribution and alignment to the company strategies. The responsibilities of the PMO are:

- oMethodology Creation – Creates successful and repeatable processes in support of the company project management methodologies.
- oProvide Project Management – Supply the project management function to the company business units.
- Centralized Reporting – Organizational level reporting providing complete views of all project activity and summarizing cost and progress reporting for the entire company.
- oKnowledge Center – Act as an advisor and will maintain a knowledge center for project documentation.
- oProject Selection – Creating criteria and methods for project selection via a Project Portfolio Management

process. The plan (see accompanying MS Project File) to establish the Project Management Office starts with a Brainstorming session with the CIO.

This session leverages participant innovation and “out of the box” thinking to establish the PMO strategy management elements (Vision, Mission, Goals). Once the strategy management elements are defined, the PMO design and architecture phase will start. During this phase, the PMO Responsibilities, Authority and Accountabilities (RA&A) are documented, the team architecture is defined and the facilities requirements are documented. Choosing the PMO team could be the single most important decision in establishing the PMO (Campbell, Baker, 2007).

During the development phase, the PMO staff, team operating rhythm, PMO processes will be created and the facilities build up occurs. Establish Project Portfolio Management A Project Portfolio Management (PPM) methodology will be established. The purpose of the PPM is to assure approved projects are aligned with the company strategic goals and priorities. This methodology will provide information that enables better business decisions. Figure 1 shows a conceptual project scoring matrix that may be used to measure projects against specific criteria.

Projects that are approved will be tracked to assure the business case comes home and the forecasted return on investment is realized. The plan (see accompanying MS Project File) to establish PPM, like the PMO, starts with a brainstorming session and again will include the CIO and leverage participant innovation and “out of the box” thinking. The key outcome of the session is to define and document the objectives of the PPM and each step of a PPM

gated process. The PPM gates to be defined are: oGate 1 – Define and Prioritize Business Strategy Gate 2 – Capture and Publish Idea oGate 3 – Publish Business case for Idea Review and Rating oGate 4 – Idea Analysis and Approval oGate 5 – Finalize Design Document oGate 6 – Approval Each gate will go through a design phase prior to entering the development phase. A formal tracking method and visual controls will be created to include “ return on investment” verification. The net present value (NPV) model will be used to access the project against management’s minimum desired rate-of-return to compute the present value of all cash inflows.

If the result is positive, it will be eligible for further consideration. Other project considerations are shown below.

- oIncreasing market share
- oIncreases difficulty for competitors to enter market
- oCreation of an adjacent product or service
- oIncreases independence from unreliable suppliers
- oCreation of newtechnologythat enables new products or product derivatives
- oCreation of a product that will increase sales of more profitable products
- oReduced production defects

Figure 1 – Conceptual Project Scoring Matrix (Gary, Larson, 2008) Each project will be scored against the selection criteria. Based on the scoring for the project a total scoring based on the weighting will reflect the final score.

Establish Governance Structure In order for the PPM to function properly, an Investment Review Board (IRB) must be put in place to assure proposed projects are brought through the approved process, voted on based on the selection criteria established and formally tracked to the success criteria stated in the business case.

Each functional area will have representation on the IRB. This assures that impacts to the overall company priorities can be assessed and result in the best possible governance of the projects and priorities in alignment with the company strategies. Like the other major planning components of this company initiative, the plan to build the new Governance Structure will start with a brainstorming session. The session will include the CIO and a representative from each of the functional areas.

This provides an opportunity for a manager from each area to help shape this important board and voice any risks or issues to assure these are addressed in the design and architecture phase in creating the governance structure. The session will focus on foundational elements in creating the new structure such as board chartering, RA&A (Responsibility, Authority & Accountability), team structure and operating rhythm. A draft of a governance board structure is shown in figure 2 to facilitate initial discussions. Figure 2 - Governance Board Structure Establish Culture Change/CommunicationPlan

The success of this company initiative is in the hands of every team member in the company. If we are going to remain competitive and thrive in a global market, we must take our business disciplines in project management and governance to the next level. A communication plan is part of the overall plan to assure the flow of information horizontally and vertically. Culture change requires a high degree of multi-faceted communications (hybrid of high touch and no-touch). This plan supports a corporate communications expert to help assure “ the right information” is getting to “ the right

individuals” as “ the right time. This includes branding the activities for promotional purposes and creation of escalation paths for any employee (non-management and management alike) with questions, concerns and issues surrounding the initiative. This effort will mitigate previous issues where a top down deployment of a company initiative did not enable the escalation of issues and concerns related to the implementation challenges experienced by the employees. Summary This plan requires a commitment from all employees. We can not afford to fail in our efforts.

Securing our future growth and prosperity are paramount in the challenging business climate of today. To help the company make this successful journey, extensive use of the Independent Review process (to be created by the PMO) will assure full implementation of the initiative and achievement to the expected level of performance. The benefits of this initiative will be seen and felt by every employee in the way of focused efforts that are sized and prioritized for the approved resources and aligned to the company strategies resulting in greater levels of shareholder value.

Thank you in advance for your support of this plan. NOTE: A non-recurring budget snapshot for the development and implementation of this initiative is shown in figure 3. Figure 3: Non-recurring Budget Snapshot

References Morris, Rick A. (2008) The Everything Project Management Book 2nd Edition Avon, MA: Adams Media Gary, C. F. , Larson, E. W. (2008) Project Management – The Managerial Process New York, NY: McGraw-Hill Irwin Campbell, G. M. , Baker, S. B. (2007) Project Management Fourth Edition New York, NY: Penguin Group