

## Business Case for Implementing a PMO

The following information is a general proposal template for implementing a PMO in your business. The assumption behind this proposal is that the PMO advocates have done their homework. They have prepared and presented a powerful buy-in presentation, utilizing the concepts covered in the following chapter. This proposal then becomes the formal written document for chartering the implementation of the PMO as a project.

### ***Executive Summary/Commitment Letter***

This proposal addresses enterprise support needed to improve the Return on Investment (ROI) in the projects activated to achieve the organization's goals. This is a \$90 million opportunity for our organization over four years. This capability will be accomplished by deploying a Project Management Office with the following key objectives:

1. **Produce an Executive-Sanctioned, Prioritized Enterprise Project Portfolio.** This portfolio would be governed and visibly supported by the executive team. It would be utilized by all project and resource managers to ensure that decisions are made and resources are allocated according to executive mandate. Data into this Portfolio would emanate from all business units. All executives and managers would receive reports to guide decision-making and actions from a common base of data.
2. **Build Knowledge and Skills to Improve Delivery Performance.** The PMO structure and executive support increases management's ability to effectively utilize progress data within the portfolio and PMO tools to improve delivery performance and manage the constantly changing composition of the portfolio.
3. **Track, Report, Analyze and Improve Project Portfolio Performance.** This step provides quick-starting tool utilization to collect, track and perform project management activities on key project investments while providing strategic and tactical progress data to the PMO.
4. **Replace Deficient Project Management Processes with Standard and Best Practice Tools, Methods and Processes.** In order to drive best practices across the organization and be able to share information meaningfully, the organization needs a common language and methodology.
5. **Drive Higher Value from Project Management Training and Skills Development.** This step improves project management delivery capability by mapping current skills of the project management community, analyzing the collected data and creating effective project management training curriculums that focus on key project management weaknesses.
6. **Implement PM Help Desk.** To obtain consistent, needed executive information on a timely basis, users will need help with the computer-based tools. The PMO Tool and Usability Help Desk will help users with readily available documented procedures and manual support when required.

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### **Section I: Business Case**

#### **Project Overview**

Implement a Project Management Office to improve ROI in the project portfolio.

#### **Background**

The business is seeking to improve its capabilities to deliver projects that are strategic to the vitality of the business. The need for this improvement has been demonstrated by the following:

- Lack of capability across top strategic initiatives to effectively collaborate to avoid project delivery delays
- Frequent priority changes, with constant disruption across the organization
- Inability to complete sufficient projects to counter competitive and economic threats
- Constant schedule and cost overruns

#### **Objectives**

1. Deliver the capability of creating a balanced project portfolio that the executives believe will meet the organization's goals
2. Put in place processes for managing projects in the portfolio, data gathering, reporting, tracking, analyzing and improvement
3. Improve delivery of projects in both speed and quality
4. Allow more projects to be completed with the same resources
5. Provide the information needed to support excellent executive decision making in project selection and management

#### **Strategic Corporate Alignment**

Internal Perspective: Effective management of capital

Operational Excellence: Improve organizational process productivity and leverage strategic technology capabilities

Learning and Growth: Results-oriented leadership and decision-making, communication and shared knowledge across the organization

#### **Opportunity Type**

Select the appropriate box to demonstrate the type of opportunity accomplishment of this project provides:

- |                                                            |                                                    |                                                |
|------------------------------------------------------------|----------------------------------------------------|------------------------------------------------|
| <input checked="" type="checkbox"/> Increased revenue      | <input checked="" type="checkbox"/> Decreased cost | <input type="checkbox"/> Regulatory compliance |
| <input checked="" type="checkbox"/> Increased productivity | <input checked="" type="checkbox"/> Decreased risk | <input type="checkbox"/> Maintenance           |

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### **Section II: Scope**

#### **Project Scope**

- Identify minimum data requirements for project scheduling
- Develop and document best practices, in an easily accessible web-based tool
- Determine minimum data requirements needed for the project portfolio
- Gather, report, analyze initial project portfolio data
- Establish and facilitate first governance meeting
- Deliver a library of easily accessible user guides for project managers, resource managers, team members, sponsors and executives
- Develop and implement processes to enable all project managers to deliver on minimum criteria
- Add/hire staff to take on roles that provide effective enterprise support
- Implement necessary training/education/development processes

#### **Impact Analysis**

Stakeholder	Describe the impact (what and why):
Executives including: CEO, CIO, CFO	Executives will have a real-time view of how their project capital and resources are allocated. This enables more informed decision-making and what-if scenario planning. Executives will have improved information around the implications of timeline constraints and scope changes. All projects will be prioritized by the executives.
Project Offices	Project Offices will have access to processes, to a portfolio view of their collection of projects and to a detailed analysis of how their project resources are being deployed.
Project Managers	Improved project management competencies, standardized life cycle, planning and scheduling methodologies, help with resource issues, issue tracking and collaboration will help reduce project overruns. Most project managers will need training to leverage the capabilities of tools provided. Sponsor support will be significantly enhanced. Cross-functional executive support will be more visible.
Team Members	Team members will be called on to help improve delivery. They will better understand the link between their work and the organization's goals. Team members will not make decisions on task priorities. Cross-functional barriers between team members will be broken down to improve workflow and quality.

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Stakeholder	Describe the impact (what and why):
Resource Managers	Project priorities will be clear. Conflicts between project and resource managers will be significantly reduced.

### Critical Success Factors

- Executive and Project Management Office support across the organization
- Project Management Training and Skills Development at every level of the organization
- Quality marketing of the PMO, its tools and support
- Acquisition/Development of quality products to support excellence in portfolio management and project management
- Effective tool training
- Executive ownership of the portfolio

### Section 3: Approach

#### Proposed Solution

A project team, consisting of five senior project managers, will assemble initial data and select and implement all initial tools and data structures. This will allow for the project team to focus on the hard and soft tools needed to further develop project management delivery rigor and discipline throughout the organization.

#### Alternatives Considered

- Continue to manage projects as we do now (lack of common structure and procedures). This alternative was eliminated because the opportunity represents over \$xx million to our organization's bottom line.
- Minimum infrastructure – Begin with one senior project manager, no formal PMO and no tools. This alternative was eliminated because an optimistic estimate of the amount of work required is several person years. Our organization cannot afford to wait that long for the results. Also, three members of the executive committee were involved in the assessment of capital investment for tools. They concluded that such tools are 100% vital to linking project progress to the achievement of enterprise goals.

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### Assumptions

1. Deficient project managers will need to attend Project Management Concept Course
2. All portfolio projects will follow the PMO project guidelines including using a standard PMO Tool Suite as the project management tool
3. All business units will ultimately use this tool to report status of their top projects
4. Training costs will be allocated across all business units
5. PMO Tool and other training will be provided and required for all users at every level
6. PMO Tool functionality will drive certain project processes

### Obstacles

- Finding qualified resources to support the project
- Defining the best way to incorporate every business unit's need without sacrificing the need for a common structure
- Buy-in of functional units to move approach to project management and utilizing the tools made available

### Stakeholder Expectations

Stakeholder	Expectations
Executives including: CEO, CIO, CFO	Reports, views and project portfolios will provide timely, accurate and relevant information for improved decision-making and business objective realization. In addition, there must be minimal impact to their budgets.
Project Management Offices	Improved ability to view resource allocations, environment to further develop their project managers' skill sets and the capability of leveraging learning from past projects. They will also look for corporate support.
Project Managers	More stable, more advanced tools and processes to assist them in planning and actively managing their projects. They must be able to efficiently and effectively control their projects, while maintaining a collaborative environment.
Team Members	An easier method of tracking their project participation. (Automating their time reporting may initially be a burden, but increased task clarity and reasonable personal accountability for completing work will balance this.)

### Project Organization

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An organization chart for the project is located in the Appendix (include chart for your organization). Core team members and time commitments are identified in the Project Resource Plan in the Appendix (include list of team members and planned commitments).

### **Procurement Plan**

Jane Doe and John Smith have been our primary negotiators from Corporate Purchasing. We have negotiated a purchase price for PMO software and have surrounding agreements for maintenance, training and consulting. In addition, we have a master consulting agreement in place with <any supplying company name> to provide implementation consulting, training development and project manager mentoring. We continue to evaluate alternatives in acquiring implementation expertise from external providers as opportunities arise.

### **Communication Plan**

Upon executive authorization, the team will:

- Develop a welcome packet for PMO participants – include background, expectations, schedule, key contacts, overview of the PMO, etc.
- Develop training materials and presentation for project management training in the new tools, reporting and delivery acceleration strategies
- Conduct training for pilot participants
- Provide weekly communications to pilot participants – status, results, recommendations for improvement and request for feedback
- Provide one-on-one project mentoring to discuss experiences and concerns
- Provide project status updates, portfolio analysis and recommendations to executive management at critical junctures
- Hold regular meetings with participants to discuss experiences, concerns, successes
- Provide a pilot summary report for all key audiences
- Create content for the PMO website regarding the team's activities, project managers' testimonials as they use the PMO (including FAQs, Issues, etc.)
- Adapt pilot welcome packet to meet the needs of each new group of users – distribute prior to communication
- Conduct awareness sessions during business unit rollouts
- Coordinate with business unit contacts to promote the PMO within their business unit
- Present PMO results/findings and future outlook at a Project Management Network Meeting
- Provide a conclusive rollout summary to all key audiences at the end of the PMO implementation

### **Change Control Plan**

As potential changes to the project baselined scope, time and budget are identified, they will be documented by the PMO Implementation Manager, logged, distributed to the Change Control Committee and core team and reviewed weekly (unless urgent). For urgent change matters, an emergency teleconference or meeting will be convened. The Change Control Committee consists of the PMO Director, CIO and CEO.

The core team will first review changes and escalate questions and recommendations to the project executive sponsor and business unit contacts as appropriate. Once the change has been accepted or denied, the request resolution is documented and the appropriate project documents are also updated to reflect any changes. The PMO Implementation Manager will be responsible for managing this process.

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**Section 4: Risk**

**Risk Identification Matrix**

Description of the Risk	Quantification of the Risk	Risk Response
<p>May have difficulty acquiring the appropriate core team, business unit and external consultant resources needed for the project.</p> <p>Too much delay in acquiring or assigning resources could result in a delay in critical path activities.</p>	<p>This would be considered a high impact risk.</p>	<p>Work closely with resource manager to assess and respond to resource needs.</p> <p>Identify staff needs as far in advance as possible to allow enough lead-time for acquisition.</p> <p>Keep sponsor updated on resource issues and escalate as needed.</p>
<p>Project Team needs to coordinate with multiple departments/business units. This could result in communication breakdowns and spreading core team support too thin during pilot and rollout.</p> <p>We can also be at risk that the PMO tools might not be in alignment with some existing business unit processes.</p>	<p>This is considered a high probability and high impact risk.</p>	<p>Detailed communication plan for how to handle cross business unit communication.</p> <p>Align core team members to focus some of their efforts on specific business units.</p> <p>Investigate staffing a position to specifically work with business unit configurations and implementations.</p>
<p>Lack of buy-in for the PMO Implementation Project at the senior management level will reduce or eliminate the enterprise level benefits we are targeting to achieve from implementation.</p> <p>Business users may also resist cultural changes that would result from tool implementation.</p>	<p>This is considered a high probability and high impact risk.</p>	<p>Leverage business unit contacts to uncover concerns/issues and develop a plan to address those at the business unit level.</p> <p>Leverage executive owner and sponsor to uncover senior management concerns/issues and develop a buy-in presentation. We will not proceed with implementation until we have secured majority executive team support.</p> <p>Work with business unit contacts to uncover cultural change issues and incorporate a plan to address those during the business unit rollout.</p>

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**Section 5: Costs and Benefits (see the Appendix for Detailed Cost Benefit)**

**Project Costs Breakdown**

Cost Category	Costs			
	Year 1	Year 2	Year 3	Year 4
Project Costs				
Internal Resources	\$459,701			
External Resources	\$855,795			
Equipment & Software	\$780,000			
Other Project Impacts (Training)	\$100,000			
Total Project Cash Outlay	\$2,195,496			
Ongoing Costs				
Internal Resources				
Equipment (Maintenance)				
Total Ongoing Cash Outlay				
Total Costs	\$2,195,496			



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### Project Resource Costs Summary for Executing/Controlling Phase

1. Project Manager – Project Executing/Control Phase 17 weeks – 100% (External) \$102,000
2. PMO Tool Strategist Lead – Executing/Controlling Phase 17 weeks – 50% (Internal) \$34,000
3. Project Management Integration Project Leads (2) – Executing/Controlling Phase 17 weeks – 50% each (Internal) \$34,000 each
4. Systems Connectivity Lead – Executing/Controlling Phase 17 weeks – 100% (Internal) \$68,000
5. Training/Education Coordinator Lead – Executing/Controlling Phase 17 weeks – 100% (External) \$74,800
6. PMO Tool Help Desk Lead – Executing/Controlling Phase 17 weeks – 50% (Internal) \$34,000
7. PMO Tool Support Analyst – Executing/Controlling Phase 17 weeks – 100% (Internal) \$34,000
8. Portfolio Management Lead – Executing/Controlling Phase 17 weeks – 100% (External) \$51,000
9. Portfolio Management Analyst – Executing/Controlling Phase 17 weeks – 50% (Internal) \$34,000
10. PMO Tool Trainer/Mentor – Executing/Controlling Phase 17 weeks – 100% (External) \$74,800
11. HR and Admin/Support – Executing/Controlling Phase 17 weeks – 50% (Internal) \$34,000
12. Facility, Training and Equipment Support – \$100,000 (estimated)

### Project Benefits Include

Benefit Category	Benefits			
	Year 1	Year 2	Year 3	Year 4
Tangibles				
Support the implementation of project management standards		\$1,920,000	\$1,920,000	\$1,920,000
Identify project risks and (resource) constraints		\$1,584,000	\$1,584,000	\$1,584,000
Development Cost Improvements for 60 projects		\$7,500,000	\$7,500,000	\$7,500,000
Portfolio Prioritization		\$12,000,000	\$12,000,000	\$12,000,000
Intangibles				
Total Benefits		\$23,004,000	\$23,004,000	\$23,004,000

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Benefits can be verified using the following measures:

### **Support the Implementation of Corporate Project Management Standards**

According to the Gartner Group (August 1, 2000), projects following a standard lifecycle are more often completed on time, on budget and within scope.

Estimated Savings: # of projects \* # of people \* average hourly rate \* hours saved

Example: 20 Projects x 10 People x \$60/hour x 40 hours/week x 4 weeks = \$1,920,000

This example assumes time to market will be reduced by 4 weeks for 20 projects. Of course, the additional revenue that can come from new products delivered to market more quickly can make these benefits pale by comparison.

Verification: Baseline scheduling and cost estimates along with scope definition will be tracked and reported on a monthly basis.

### **Identify Project Risks and (Resource) Constraints**

PMO tools will require project managers to examine their projects for risks, dependencies, constraints and impacts on the business. Using rigorous standards to move projects from the planning to execution phase will reduce organizational costs.

Estimated Savings: # of projects \* # of people \* hourly rate \* hours

Example: 6 Projects x 10 People x \$60/hour x 40 hours/week x 11 weeks = \$1,584,000

The Gartner Group estimates that proper risk identification will result in the cancellation of 20% of projects before the execution phase. In the example above, savings assumes 6 projects will be cancelled before execution begins. The time savings are the average for the execution and subsequent phases.

The benefits are actually much greater than portrayed. These resources can be used to execute other projects, which bring far greater value than just the cost savings.

Verification: The PMO will track the number of projects in the project portfolio that were cancelled because of risk and impact on the organization.

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### **Development Cost Improvement**

By the end of 200X, the enterprise will go from tracking less than half of the portfolio projects to more than 75%. Payback will occur from having better information to make decisions on the deployment and use of resources and capital. In addition, the significant increase in visibility, cross-functional executive support and tracking of these projects will enable the portfolio of projects to accelerate their delivery.

Estimated Savings: Average aggregated budget of (60 active projects) projects in portfolio annualized = \$150,000,000.

A 5% annual delivery improvement in time and budget for the projects in the portfolio = \$7,500,000.

Verification: The Executive Team will recognize delivery improvements as reported in the PMO Portfolio Reports. These reports will illustrate comparable difference between baseline delivery forecasts and current progress at a summary level to enable management decision action.

### **Portfolio Prioritization**

The portfolio, along with the PMO Phase Review, will answer the question: "Where do high-priority projects stand?" According to the Gartner Group, "Project delivery rates directly impact customer satisfaction, IT's value to the business, the enterprise's competitive edge, market share and profitability. A project portfolio management capability includes a set of organization-specific metrics pertinent to project delivery."

Estimated Savings: Elimination of 10 projects, at an average cost of \$1,200,000 or annualized for a total expected savings of \$12,000,000.

This assumes that the project portfolio along with the PMO phase review process assists management in making the decision not to implement a portfolio project based on organizational priorities.

Verification: The PMO will use the portfolio management process to review and identify the number of projects that actively follow the lifecycle and use the project control tools in the everyday management of the projects.

### **Section 6: Timeline**

#### ***Project delivery timeline summary:***

1. Project Planning Phase completed by 6/3/20XX
2. Project Executing/Controlling Phase completed by 11/6/20XX
3. Project Closing Phase commenced by 12/3/20XX
4. Project completed by 12/31/20XX