Executive Summary

It’s the beginning of 2010 and your Organizational leaders set a new strategic vision for this year and beyond. That vision is a mix of redesigning your patient care model and achieving hard dollar savings through operational improvements. In addition, external factors such as progressive legislation are changing the face of healthcare and the unknowns moving forward seem to be compounding.

To take your organizational vision and convert it into actionable goals requires significant resources, effort, cost, and coordination. The only way to create the integrative structure necessary for managing your goals of operational improvements and strategic developments is through a Project Management Office (PMO). A Healthcare PMO focused on strategic & and operational initiatives will prioritize your organizational goals and coordinate them into the rigor of project management

This white paper will explore how to create and run a healthcare PMO focused on strategic and operational initiatives. Specifically this paper will delve into the PMO life cycle, from understanding your organization to running a sustainable PMO that drives value for all its stakeholders.
Why a PMO?

Healthcare is a complex, dynamic, and evolving industry. Many of the challenges healthcare organizations face today will not be the same challenges faced in a couple of years from now. Key decisions made by industry leaders are both central to patient welfare and pivotal to business success. Therefore healthcare organizations must prioritize and balance operational improvements today or strategy investments for the future. The internal challenge for healthcare organizations once they set their goals focuses on managing them on a day to day basis with structure, integration, and transparency that allows them to be both efficient and successful.

The best way to deal with these challenges and manage operational and strategic solutions is through a Project Management Office (PMO). A PMO is vital for a large hospital or healthcare system as it creates structure and integration through a centralized function. A PMO most effectively does this by coordinating across project lines, servicing projects with tools and techniques, training business managers on being effective project managers and by monitoring progress, and reporting risks. This centralized entity brings all components of the project and portfolio work together.

Building a PMO

How do you build a PMO that fits with your organization’s structure? A PMO is not an overnight fix. Introducing a new management entity where one was not in place requires a significant amount of change management which may cause reservation among stakeholders. Therefore, dealing with cultural implications and overcoming those challenges will take time. The toughest part of creating a PMO occurs in its initial phases, when you take your conceptual plan and begin building it into the organization’s DNA. The creation of a PMO should take on a lifecycle with five phases:

1. Understanding your Organization (assessment phase)
2. Defining the structure and processes (planning it out)
3. Building the structure and processes
4. Implementation of the PMO
5. Sustaining the PMO
These five stages are essential for creating a successful PMO that can not only manage the current challenges, but carve out a niche and be a sustainable entity for your organization.

The cornerstone for creating your PMO is to first understand which PMO makes the most sense for your organization. This is the foundation to creating the integrative structure necessary to carry out both your operational and strategic goals.

**Understanding Your Organization**

Understanding your organization is the backbone for how you will design and build your PMO. For the PMO to be successful, one must assess and understand all the critical elements of the industry and organization.

The first and most crucial aspect to understand are the organizational priorities and leadership expectations. Since operations and strategy are executive level concerns that may span the entire organization, prioritizing smaller initiatives to accomplish the wider goal is expected. However in many organizations, leadership does not grasp the concept or importance of prioritizing their goals, and thus a PMO must assist. During this assessment, you will understand the breadth of the PMO and whether it will be a “PPM” (Project Portfolio Management) or a PMO Hybrid.

Often a PPM and PMO are two separate entities. A PPM’s goal is not just to ensure rigor around project delivery practices, but also to: enable an organization to manage the continuous flow of projects from idea and concept through completion, focus on investment decisions, and to ensure benefit realization. In the case of a PMO which supports both Strategy and Operations, those two functions may blend together. In this stage of the process, you must assess whether organizational goals have been prioritized and whether leaders have sent a clear strong message to employees regarding those priorities. If executive leadership does not have a strong vision supported by top priorities, a PMO-PPM model may take shape.

Having an understanding of the organization’s history and background with a PMO will only strengthen your knowledge moving forward. It’s rare that an organization that has a rich history has never experimented with a PMO before. During the assessment you must gauge what has worked in the past, the things that were successful, and what made them successful.
Understanding the externalities driving business decisions may be important, if projects aim to address the macroeconomics of the industry. With healthcare reform and legislation taking center stage these days, organizations are proactively changing practices to soften the change ahead.

The best way to understand the fabric of your organization and the driving factors of your PMO is through an assessment. This assessment will encompass a stakeholder analysis, interviews of key personnel, competency reviews, and a detailed mapping of the governance structure and operational model currently in place. After the assessment, you should have a good feel for the scope of the PMO, what it includes and excludes, and what the critical success factors will be.

In essence, before moving into the planning phase, the culture should be understand and the result should be a clear decision on what PMO makes the most sense for the organization.

**Defining the Structure & Process**

After your assessment is complete, you should have a good idea around the scope of the PMO, especially how encompassing it will be. In defining the structure, the PMO should act as an integrative operating body for all projects, programs, and portfolios within its scope.

The first step in putting together the structure is to define what constitutes a project. Multiple interrelated projects may comprise a program and multiple programs should align to a clear set of portfolio objectives. Portfolio objectives are usually visionary and should relate to the organizational priorities.

- **Project** - A temporary endeavor undertaken to create a unique product, service, or result, over a specified time period.

- **Program** - A group of related projects managed in a coordinated way to obtain benefits and control, which is not available from managing them differently. Programs may include elements of related work outside the scope of the discrete projects in the program.

- **Portfolio** - A collection of programs and projects and other work that are grouped together to facilitate effective management of the work to meet strategic business objectives. The projects or program of the portfolio may not necessarily be interdependent or directly related.
Once you have the project structure defined, the next step is around creating the governance structure and specifically asking the questions of where should the PMO sit within the organization (in a reporting and operating sense) and who are the PMO constituents?

The PMO needs to be placed strategically within the organization’s governance structure so that it can bridge the leadership team with the project work. The PMO also needs to be placed at a high enough level where it can understand leadership challenges and decision making capabilities but not in a place where it will conflict with other governance bodies. The governance structure will be based on findings from the stakeholder analysis conducted during the assessment. In order for the PMO to drive the most value, it must first understand the various roles and responsibilities throughout the different projects and existing governance (steering) bodies. The PMO’s goal in the governance model is to drive value for all stakeholders within its scope of work and hopefully by doing this, becomes separate from the organization’s politics.

Designing the PMO depends on the scope of projects, competency of project managers, and maturity of each program and project. This will be essential for deciding what PMO model will mesh best with your organization. There are three basic PMO models that could be considered. A strategic PMO would be best served for a large organization taking on many different projects and where a stronger centralized force may be necessary. The service model calls on the PMO resources to take on the Project Management aspect of each project. In this model you are servicing the project by utilizing pm tools. The final model or the functional model focuses on getting projects to a “functional” level. Although the PMO is providing the methodology, their presence is strong as the projects initiate and plan but has less involvement as it executes.
Building the PMO

Once you have defined your PMO structure, you have to build it quickly so that it can be functional for the organization. The focus thus far has been creating and structuring the PMO, now the focus shifts to the PMO-Project process and the tools that support that process.

The first step is to create a Project Life Cycle. The PMO’s involvement at the project level will be framed around this. Major categories inherent in a life cycle are the initiation, planning, executing and controlling, and the closing phase. Depending on the ambitious plans set by senior leadership, it may make sense to set up an

![Figure 2: Project Life Cycle with Deliverables for Each Stage](image)

Once you have set up the project timeline through a life cycle, it is essential to define the activities, deliverables, and decisions that occur at each phase. The activities will build your process while the deliverables will be the tools that support those activities. Some of the basic project management tools used throughout this process will be work plans and charters, financial tracking, and KPI measurement tools and scorecards to assess the quality of work at each stage.

Since the PMO is a center of project management excellence which coordinates across projects and is responsible for giving visibility and transparency throughout the organization, having a robust reporting structure is paramount. The project process and tools form the first layer of the reporting structure. Each project should be expected to give frequent status updates (with updated work plans) and updates to financials and non financial measures. Through project status updates, the PMO’s job is to identify any issues and risks and to understand challenges Project Managers and teams may be facing. In many organizations, the PMO may be expected to either report up to a steering group or directly to the executive leadership. Reporting at this level is usually
by exception. Having a dashboard that shows the entire portfolio’s progress and where it stands against targets should be created along with a risk calculation tool.

Implementing the PMO

Once you have completed the design of your PMO operations and have built the process and tools to support it, now it’s time to implement. The Implementation phase is when you “Go-Live” with the concepts, tools, and process. Introducing this new approach not only takes a considerable amount of time and effort but will require a significant amount of change management. Much of the PMO activity will be in regards to training and coaching on effective project management and the use of these tools.

An effective way to introduce the PMO structure and strategy is to gradually implement what you have conceptually built. Piloting the process and tools with a couple project teams may be an effective tactic. It’s an empowering gesture to reach out to stakeholders for opinions and feedback. The PMO must always strike a balance between accommodation and rigidity; while creating a rigorous process and standardized tools, the PMO should reach out to various stakeholders to gauge their receptiveness. Taking their inputs into consideration is a strong part of change management and will result in less resistance as you continue to implement.

During the implementation phase, a considerable amount of time and effort will be dedicated to training project managers, especially if the assigned PMs are more of a business lead. An initial training session followed by one-on-one working sessions may be necessary for PMs to learn all the project management tools and techniques you have built. At this stage, constant rigor and continuous improvement on their use of tools will be necessary until projects reach a steady state of compliance and performance.

Sustaining the PMO

As with implementing any new function within an organization, culture becomes a powerful agent of change. Implementing a management body that creates more rigor and accountability will always be met with skepticism and resistance. Because of this, change management becomes a dynamic element. For a PMO to become a sustainable function within an organization, it must change the culture in its favor by driving value for its constituents by showing value to leadership. The PMO will become a sustainable entity if it can successfully coordinate across project lines, service project’s with tools and techniques, train business managers on being effective project managers and monitor progress and report risks.

Conclusion

Since forces in the healthcare industry are great, leadership must focus on the high level objectives while staying above the fray of day to day work. The success of any organization relies on the fusion of ideas from both the operations staff- doctors, nurses, administrators- as well as the strategic visionaries-executives. However ideas are not actions or achievements. As described throughout the paper, the PMO becomes that intermediary and focal point within the organization that will not only forge employee engagement but turn conceptual goals into actionable initiatives. The PMO will carve its niche by showing value to the organization by driving value from all its constituents.
About Tefen

Tefen is an international management consulting firm, committed to improving overall operational effectiveness for Fortune 500 companies around the world. The firm’s main areas of focus include operations excellence, manufacturing, quality, customer service, research and development and supply chain management. With its “hands-on” approach philosophy, the company has achieved tremendous success in delivering quantifiable and value-driven results for its clients in a variety of industries, including healthcare, life sciences, general manufacturing, high-tech and financial services. All of Tefen’s support programs are ISO 9001 certified. Tefen currently employs over 300 professionals worldwide.

For additional information, please contact:
Cristina Priamo, Senior Marketing Associate
Tefen USA
(646) 652-8259
cpriamo@tefen.com

www.tefen.com