

# The Project Management Office: Aligning Strategy & Implementation

Organizations talk a good game about strategy. But without the right projects and programs to carry them out, even the most forward-thinking strategies fail. To help bridge the chasm between high-level strategic vision and in-the-trenches implementation, many organizations turn to a project management office (PMO).

“A strong PMO delivers two distinct areas of improvement to the organization,” says Greg Wood, managing director of the corporate PMO for Rio Tinto, a metals and mining corporation and a PMI Global Executive Council member in Brisbane, Australia. “It helps organizations choose the right projects to deliver, and it helps them deliver projects correctly.”

It’s not enough for projects to come in on time and on budget. They must also be in sync with strategy, or “it’s just wasted capital,” he says.

Organizations continue to struggle: *PMI’s Pulse of the Profession®: The High Cost of Low Performance* found less than half (42 percent) of organizations report high alignment of projects to organizational strategy.<sup>1</sup>

That’s simply not good enough in today’s hyper-volatile business world. Organizations must strike the right strategic response—and they must do it quickly. According to the 2014 PwC survey, at least three-quarters of CEOs acknowledge the need for change or are developing strategies for change in response to global forces.<sup>2</sup>

A 2013 Economist Intelligence Unit (EIU) report sponsored by PMI echoes the findings, with almost 90 percent of senior executives reporting that executing strategic initiatives is essential for their organization’s competitive advantage. Yet 61 percent admitted they struggle with executing on those strategies. Moreover, in the last three years an average of just 56 percent of strategic initiatives have been successful.<sup>3</sup>

It’s a vicious and expensive cycle—one that PMOs can help prevent.



Source: PMI’s 2013 Pulse to the Profession® In-Depth Report: *The Impact of PMOs on Strategy Implementation*

PMOs deliver an average of  
**US\$71 million**  
to organizations in the form of  
revenue or cost reductions.

Source: PMI's *Pulse of the Profession® In-Depth Report:  
The Impact of PMOs on Strategy Implementation*<sup>1</sup>

That value takes many forms. Sometimes it's the PMO's ability to establish the processes that enable a major change initiative to deliver results right out of the gate—and into the future. Sometimes it's building the talent that knows when to pass on a pricey megaproject that's not in line with strategy. Other times, it's the PMO drawing on years of rich project performance data to prove a knowledgeable—and objective—voice.

"No other group in the organization understands the real project issues the organization faces more than the PMO," Mr. Wood says. "If executives want to know the truth about projects and the people responsible for them, the PMO is who they should ask."

**CASESTUDY** PMO IN ACTION

**Organization:** Verizon Wireless, New York, New York, USA

**Industry:** Mobile network operations

**Lesson Learned:** A PMO delivers business results by not only improving the performance of its projects but making sure those projects sync with strategy

When Verizon Wireless, a PMI Global Executive Council member, launched its first PMO in 2005, the new team had few roadmaps to follow. The company had some project management practices in place, but no way of knowing if its projects were helping to achieve its strategic goals.

“At the time, no one had an objective view of what was going on,” says Cara Washington, PMO director for the company’s marketing department, New York, New York, USA. “There was no system in place to say, ‘These are the projects we need to do to meet our objectives,’ which meant the loudest voice in the room got his or her project approved.”

These days, the PMO assesses a project’s business case with a one-to-four scoring system that quantifies how strongly it aligns with strategic goals. “We are smarter about which projects we put forward and about not supporting projects that don’t meet those criteria,” says Ms. Washington.

The PMO also assigns project managers to projects as soon as they’re approved to ensure engagement in planning and decision-making from the outset.

The PMO’s push for strategic alignment ensures projects help the company achieve its business goals. And, she says, as Verizon’s strategies have changed over the years, so too have the PMO’s. The company’s current focus, for example, is on reducing project cycle times. And backed by standardized project management processes, teams are delivering real results.

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*When I first started the PMO, it took 18 to 24 months to get a product out the door. Now we’re down to 10.3 months.*

~ Cara Washington, PMO Director  
Verizon Wireless  
New York, New York, USA

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## RIGHT TIME, RIGHT TYPE

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Not every organization needs a PMO, of course, but certain signs could indicate it's time to consider one. If an organization struggles to deliver high-performance projects, that's one clear indicator, says Luis Fernando Torres, PMP, founder and partner-director of project management training firm 2Towers: Treinamento & Tecnologia, São Paulo, Brazil.

Yet that's not the only flag. An organization flush with project successes might still benefit from a PMO if:

- The organization lacks uniform management and oversight processes
- Leadership has trouble gathering information about project progress and results
- Project goals consistently don't align with business goals

If an organization decides to establish a PMO, there's no one-size-fits-all solution. PMI's *Pulse of the Profession: PMO Frameworks* outlines five of the most common<sup>5</sup>:

1. **Business unit PMO:** Provides project-related services to support a division within an organization
2. **Project-specific PMO:** Offers project-related services as a temporary entity to support a specific project or program
3. **Project support controls office:** Initiates processes to continuously support the management of an organization's projects, programs or portfolios
4. **Enterprise PMO:** Responsible for the alignment of projects and programs to corporate strategy
5. **PMO center of excellence:** Supports project work by equipping the organization with standards and tools to better deliver projects

Fujitsu UK&I, a PMI Global Executive Council member, relies on multiple PMOs, including one at the senior management level. That PMO is responsible for setting the organization's project management strategy and focusing on process improvements related to organizational goals, such as growing the business, moving into new markets and increasing social responsibility.

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*In a sizable organization, if the PMO is too high-level, it can be hard to manage day-to-day project issues. Having business unit PMOs enables us to get a handle on all of our projects at the right level.*

~ Paul Jones, Head of PMO  
Fujitsu UK&I  
London, England

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"Most of our projects are customer-facing, so our strategic alignment comes from ensuring that we help deliver business benefits for our customers and that they are happy with the projects we deliver," says Paul Jones, head of the PMO for the London, England-based branch of the global information and communication technology company.

Fujitsu also has PMOs in all of its major business units to ensure they adhere to governance and standards and that their projects meet schedule, budget and quality goals. For a large company like Fujitsu, which at any time may have up to 800 projects worth £600 million, such a network of PMOs helps keep things manageable.

## FROM THE TOP DOWN

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No matter its structure, a PMO without executive support probably won't get very far. "If the executive team is secretive and unwilling to engage the PMO in strategic planning, it makes it much harder for the PMO to add value to the organization," says 2Towers' Mr. Torres.

Those PMOs considered highly effective at driving business growth report directly to someone in the executive suite, according to Forrester Consulting's "Strategic PMOs Play a Vital Role in Driving Business Outcomes", a research study commissioned by PMI.<sup>vi</sup> The report also found that the majority of the PMO leaders interviewed have highly visible sponsorship at the C-level.

"If organizations want to get the most value out of a PMO, they must put it at the strategic level, so it is close enough to senior management to help it make the best project decisions for the business," says Piotr Stachowicz, PMP, senior vice president at PMI Global Executive Council member Citi.

The Economist Intelligence Unit report reinforced the need for support from the corner office. It found the top reasons for the success of strategic initiatives are leadership buy-in and support. Yet only half of those surveyed said that strategy implementation as a whole receives appropriate C-suite attention.

Rio Tinto decided it needed a PMO based on a consulting group's recommendation. The company's management put Mr. Wood in charge, but he wasn't assigned an executive sponsor. That meant he and his team had to secure buy-in from the rest of the organization largely on their own.

They spent three years building the company's capital management processes, systems and tools, and making presentations to business unit leaders that demonstrated the value of a strong project management practice. Eventually, they won support across many business units and began seeing improvements in project delivery. "It takes much longer for the PMO to add strategic value when you have to take only a bottom-up approach," he says.

 **CASESTUDY** **PMO IN ACTION**

**Organization:** Citi, Warsaw, Poland

**Industry:** Financial services

**Lesson Learned:** When strategy shifts, a PMO can help map a way forward.

The leadership team at Citi knows strategic goals must change as the marketplace changes. Global economic issues and swings in the competitive landscape can alter the company's business drivers, creating a cascade of change, large and small, across the portfolio.

As priorities shift, the PMO can be a powerful ally in helping executives decide which projects to launch, accelerate, delay or shut down. "That's why it is so important for the PMO to be at as high a level as possible and to have senior-level sponsors," says Citi's Mr. Stachowicz.

In the financial industry, for example, new rules and regulations often force companies like Citi to quickly reprioritize its investments. "We can't afford to risk missing a regulation deadline, so there is no question that those projects are the highest priority," he says.

When such a change occurs, resources dedicated to other projects may need to be reallocated. If a regulatory project requires IT expertise, for example, an internal IT project might be shelved so its team members can support the new initiative. "The PMO works with the business to figure out how we can make room for that regulatory project with minimal impact to the organization," Mr. Stachowicz says.

The PMO looks at each project's expected, measurable value and its alignment with one or more of the company's strategic goals: improving service quality, driving financial performance, supporting innovation, reducing risks and improving the corporate culture.

Projects that don't measure up are likely to be the first to lose resources. "It's challenging, given Citi's geographical presence and scale of business, to say, 'This project is more important than that one,'" but those tough calls are just part of the job, he says.

## ALL-STAR TEAM

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A PMO's processes mean little without the right talent. High-performing PMOs are more than twice as likely as low performers to have the right skills base (58 percent versus 27 percent) and are much more likely to have adequate numbers of people (42 percent versus 24 percent), according to the Pulse in-depth report on PMOs and strategic implementation.

And when organizations fail to invest in that talent, projects suffer—and so does strategy. More than a third of respondents to the Pulse in-depth report say insufficient human resources (both in terms of raw numbers and appropriate level of training) is one of the biggest barriers to successful strategy implementation.

As a foundation, PMO staffers must understand all of the core project management tools and practices. Rio Tinto's Mr. Wood recommends organizations look for project talent adept at cost control, planning and scheduling, cost estimating, contract management, risk management and project procurement.

PMO staffers must also have strong business acumen, leadership and decision-making skills, advises Mr. Torres. If not, organizations risk staffing a PMO with staff adept at day-to-day tasks but unable to understand the broader strategic impact of their work.

It's a perilous gap given the growing demands on PMOs.

Unlike an organization's other project practitioners, the PMO team doesn't just adhere to core project management practices. It makes sure those processes, policies, training, communication and reporting requirements result in projects that meet schedule and budget goals as well as produce business value, says Krissy Wolle, PMP, PgMP, IT portfolio lead and director of operations in the enterprise PMO at Optum Technology, Plymouth, Minnesota, USA.

PMO staff must lead the way in helping teams understand the organization's strategic goals and equipping them with the tools to deliver projects and programs aligned with those goals.

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*The holy grail is a PMO staffer who can seamlessly switch between operations and execution, theory and practice, delivering work and leading others to deliver work.*

~ Krissy Wolle, PMP, PgMP  
IT Portfolio Lead and Director of Operations  
Optum Technology  
Plymouth, Minnesota, USA

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## MEASURING VALUE

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With the right processes and the right talent in place, a PMO may be fairly confident it's getting the job done. But the only way to really tell is through the metrics, the lifeblood of a PMO.

"The reason the PMO exists is to improve capital performance," Mr. Wood says. At the very least, metrics should track capital performance across the organization at both the project and portfolio level, with highlights reported to senior management, he says.

Armed with that data, executives can pit current trends against the organization's long-term performance. But the most worthwhile comparisons aren't limited to within the company walls. PMOs should also consider benchmarking themselves against other organizations, Mr. Wood says. "Metrics on their own are OK, but to be effective you need to know where you sit against your peers."

And PMOs should be looking beyond budget, scope and schedule to business-driven metrics, such as time to delivery and customer satisfaction. Almost one half of high-performing PMOs measure themselves by criteria other than simple project metrics, according to the Pulse in-depth PMO report. The high performers' assessment process regularly includes feedback from customers (76 percent), project owners (61 percent) and other stakeholders (60 percent).

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***The key for the PMO is to look at the organization's strategy and values, and set metrics to support that.***

~ **Piotr Stachowicz, PMP**  
Senior Vice President, Citi  
Warsaw, Poland

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One of Citi's current strategic goals, for example, is to rein in budgets. In aiming to optimize cost structures while bolstering efficiency, he says, the PMO is considering projects to reduce the number of data centers or to virtualize servers.

"These examples are ideas related to strategic execution," he says, moving the needle on metrics that correlate directly to the organization's strategic vision.

 **CASESTUDY** **PMO IN ACTION**

**Organization:** Optum Technology, Plymouth, Minnesota, USA

**Industry:** Healthcare

**Lesson Learned:** A PMO delivers business value by consistently measuring project progress against strategic goals.

Optum Technology is looking to gain efficiencies by cutting the time it takes to deliver IT projects. To achieve that goal, the PMO team focuses on cycle time right from the start—scrutinizing schedules and looking for spots where tasks can be completed more quickly. Once the project launches, it tracks the project metrics that directly impact cycle time, including whether teams complete estimates and deliver artifacts on time, and when and whether requirements are met.

While the PMO relies on metrics to demonstrate value, it also makes sure they don't get in the way of performance. For example, PMO staffers knew that to improve overall efficiency—and thereby reduce cycle time—teams needed to be better at estimating the time it takes to deliver each task. A jump in forecasting accuracy would help the PMO eliminate overruns, streamline the schedule and set shorter turnaround goals with more confidence.

So Ms. Wolle's team aligned estimating criteria with annual budget goals and set metrics at every project milestone to measure that alignment. But when her team executed the new tracking system, it discovered that the strict requirements actually hurt budget forecasting.

"If a project team adjusted its hours or budget in response to a necessary change, it got dinged on its estimating accuracy," she says. So teams began to pad their estimates. When the PMO realized the estimating metrics interfered with the more important forecasting objectives, it adjusted priorities to focus on forecasting accuracy. "Now the forecasting accuracy is improving, which we predict will lead to better results," she says.

The takeaway is clear: "Make sure whatever you measure is tied to the highest-level priorities," Ms. Wolle says. And make sure everyone involved grasps the strategic value of metrics—and the project. "People want to understand how their individual contribution impacts the larger organization."

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*The metrics help us identify what's working and determine where problems are that are impacting cycle time so we can address them.*

~ **Krissy Wolle, PMP, PgMP**  
IT Portfolio Lead and Director of  
Operations  
Optum Technology  
Plymouth, Minnesota, USA

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## SUMMARY

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Not every organization needs a PMO—and creating one isn't an immediate salve to heal project and program woes. The Pulse in-depth report on PMOs revealed that just 33 percent of respondents said their organization's PMO has realized its full potential in contributing business value to the organization.

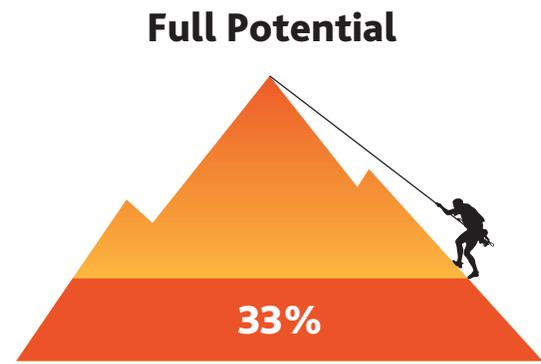
To fulfill that potential, the PMO must ensure that the organization invests in—and delivers on—the projects and programs that will drive its strategic vision.

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*The PMO takes an active part by defining and planning the project pipeline, securing resources and regularly monitoring and reporting progress.*

~ **Piotr Stachowicz, PMP**  
Senior Vice President, Citi  
Warsaw, Poland

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Source: PMI's 2013 Pulse for the Profession® In-Depth Report: The Impact of PMOs on Strategy Implementation

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