

Lessons From the Best: Practices of the World's Top PMOs

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Abstract

What do high-performing PMOs have in common? To answer this question, results from the 2010 *State of the PMO* research and examples from the winners and finalists in the PMO of the Year competition (2006–2010) are combined to provide participants with a model for top performance.

The paper discusses trends in the development of PMO roles and responsibilities from 2007 to the present based on surveys conducted by the research division of PM Solutions. In addition, specific examples of successful practices in PMO leadership, staffing, measurement, and structure derived from the case descriptions of finalists in the PMO of the Year Award program (co-sponsored by PM Solutions and the PMO Community of Practice) are given.

PMOs surveyed showed that mature organizations that offer the executive level actionable strategic information become trusted partners in the enterprise, and examples from the work of the award-winning PMOs bear this out. The way forward for project management is therefore to expand the influence of the PMO outside merely managing projects and programs by focusing on performance measurement, strategic alignment, portfolio management, and managing the demand on project resources.

Introduction

What do we mean by “the world’s top PMOs?” The PMO of the Year award program is the culmination of a decade of original business research by the research division at PM Solutions, Glen Mills, PA. Business research, as opposed to the kind of pure research carried on by scientists and academics, seeks to answer specific questions, and to answer them in ways that provide immediate actionable information. Fifteen years ago, we began asking questions about project management and business, first in survey-based research and then, in 2002, as host of the Project Management Benchmarking Forums, where we added action research to the surveys. In 2006, increasingly impressed by the achievements of the project management leaders who attended the Forums and discussed the innovative ways they were implementing project, program, and portfolio management in their organizations, we conceived of The PMO of the Year Award as a way to spotlight the business value of project management and the role of the professional PMO leader. The practice examples included in this paper are drawn from the applications of winners and finalists for the award who represent a broad spectrum of organizations from Fortune 500 companies to government agencies, and from around the globe. The applications are judged by an independent panel of volunteer judges—researchers, academics, and practitioners—on an array of criteria developed to assess how well the PMO delivers business value to their organization (PM Solutions, 2011). That’s why we can confidently state that the winners and finalists who emerge are “the world’s top PMOs” and recommend their practices to readers.

The State of the PMO

During this same period, we have focused our survey research efforts on PMOs, creating a recurring study that examines trends and benchmarks practices across a variety of industries. Building on the 2005 *Strategy & Projects* research study (Center for Business Practices [CBP], 2005), these *State of the PMO* surveys, published in 2008 and 2010, show distinct trends in the ways that PMOs are structured, staffed, and utilized within organizations. (CBP, 2008; PM Solutions Research, 2010a). Let’s look at how the role of PMO in the organization has expanded...along with the expansion of roles *within* the PMO.

Roles of the PMO

The roles performed by the PMO have expanded in scope and influence dramatically over the past four years, in part because the PMO itself increasingly resides at the enterprise level and participates in strategic activities that affect

the entire enterprise. The names of some of the PMOs that apply for the PMO of the Year Award tell a story of success in demonstrating business value:

- Office of Innovation and Planning
- Office of Digital Strategy
- Enterprise Project Solutions
- Finance and Strategy EPMO

According to the 2010 *State of the PMO* study:

- Over one half of PMOs now report to the highest levels of executive management, with 29 percent reporting to an Executive Vice President and another 27 percent reporting to the C-level; 15 percent of the PMO leaders responding to the 2010 survey are at the VP level or above. And, executives appreciate the PMO's contributions: 83 percent of respondents report that the PMO's value is largely unquestioned.
- The majority of PMOs work on high-value strategic tasks, such as implementing or managing the governance process (72 percent), advising executives (64 percent) and participating in strategic planning (62 percent).
- One of the primary ways the PMO is involved in strategic management is through the discipline of project portfolio management (PPM): 72 percent of PMOs in the study track portfolio performance, 67 percent manage a scoreboard or dashboard tracking high-value projects.
- PMOs are no longer "an IT thing." Respondents to the survey ran the gamut of industries and business units. This broader mandate for project management can also be seen increasingly in the profiles of the PMO of the Year applicants (PM Solutions, 2010a).

One area where PMOs lag behind is in performance measurement. Many of the PMOs in the study do not collect metrics to measure the business value of their activities. But, of those organizations that do measure value, 31 percent reported a decrease in failed projects, 30 percent report projects delivered under budget, 21 percent report improvements in productivity, and 17 percent reported cost savings averaging US\$567,000 per project.

There has been an increasing amount of research attention paid to the PMO by other experts as well. Studies by Planview, Inc., Forrester Research, and Gartner, Inc. have added to or bolstered our own findings. For example, Planview in 2006 coined the term "PMO 2.0" to describe a "full-service PMO that supports and aligns strategic, tactical, and operational considerations." (Doerscher, 2011, p. 1). This vision of an enterprise entity that could optimize scarce resources also emerged as the "Investment Opportunity PMO" in a Feb. 2011 article on TechRepublic.com, as well as in a Forrester Research white paper cited in April 2011 in CIO.com as the "transformational PMO." (Gray, 2011; Levinson, 2011). Quoting Forrester analyst Margo Visitacion – a long-standing member of the PMO of the Year judges panel – the article pointed to the development of project office into program office – an emphasis shift "from separate, distinct project planning to holistic, integrated initiative planning and execution."

Most recently, Gartner Inc. analyst Audrey Apfel noted that a "strategy execution office" was the pinnacle of PMO maturity. She also decried the model of the PMO as a compliance auditor concerned with "documenting the train wreck" and called for a new definition of PMO accountability based on value metrics that demonstrate results over time, leading to executive satisfaction (Apfel, 2011).

The PMO of the Year Award winners and finalists model this new style of transformative PMO. Even six years ago, we found that those who rose to the top in the awards program had already understood the need for business results and had taken on the mantle of accountability. They were actively seeking ways to improve overall organizational performance, as well as ways to communicate performance improvements across the enterprise. In short, they had not waited to be told what a best-practice enterprise PMO should be doing: They invented it. Any organization that depends on projects and programs for growth (and who doesn't?) can benefit from their example.

Roles within the PMO

Whereas even five years ago, it was rare to find PMOs with a staff of more than two or three dedicated personnel, today's mature PMOs increasingly manage a stable of project managers and other project roles within the PMO; they also manage training, mentoring, curriculum development, and professional development of project personnel. According to *The State of the PMO*:

- 75 percent of PMOs are responsible for coaching and mentoring
- 64 percent manage project managers
- 65 percent evaluate project manager competency (PM Solutions, 2010a).

Among the roles that have proliferated in the PMO since our first research on PMO staffing was carried out in 2003 (Crawford & Cabanis-Brewin, 2005), we find increasing specialization of support roles. In particular, PMOs have added business analysts, relationship managers, metrics analysts and portfolio managers, as well as increasing the numbers of project and program managers within the PMO (CBP, 2008). In addition, training in advanced skills is on the rise: 57 percent of respondents in 2010 train for advanced project management skills. Additionally, 86 percent now train PMO staff in leadership and other soft skills (PM Solutions, 2010a).

Lessons From the Best

While the PMO of the Year Award and the *State of the PMO* surveys are quite separate, the award applicants do provide a living laboratory where the trends that emerge from the data can be observed in action. In the following, we discuss examples of award-winning PMO strategies and tactics related to each of the following five areas—the “5Ps”:

1. Project and program management
2. People management
3. Performance measurement and management
4. Project portfolio management
5. Positioning the PMO for success

Project/Program Management Best-Practice Example

The challenge: Doe Run Company, a mining firm based in St. Louis, MO, is dedicated to environmentally responsible mineral production and operates the world's largest single-site lead recycling facility. Before 2006, the company had no formal project management in place and while project performance was not routinely tracked, there were instances of projects completing up to 200 percent over schedule and budget. There was no formal training in project management processes for Doe Run personnel and after years of troubled projects, ownership had lost confidence in Doe Run's project management capabilities. The mining company had been using the same operational processes for more than 140 years, so driving the adoption of new processes was anticipated to be tough.

The solution: The project management office was created in 2006 on the recommendation of the CIO. A decentralized structure with a small staff, Doe Run's PMO provides mentoring and oversight to projects company-wide, including construction and engineering projects as well as corporate and IT projects—as many as 40 projects at any point in time with projects ranging in size from US\$10,000 to US\$150 million. From 2006 to 2009, project management maturity at Doe Run moved from Level 1 (initial process) to Level 2 (structured process and standards). Some functions are now starting to move into Level 3 (organizational standards and institutionalized process) with expansion of the use of processes beyond only the largest, most visible projects. A baseline measuring the impact of the PMO was taken at the end of 2007 after new processes had been in place for one year. By the end of 2009, the percent of projects meeting schedule objectives increased from the baseline of 25 percent to 40 percent and the percent of projects meeting cost objectives increased from 71 percent to 85 percent. More importantly, the percent of projects achieving stated business objectives dramatically increased from 62 percent to 95 percent.

Confidence in the ability of Doe Run personnel to successfully deliver projects has increased to a level that the board of directors raised the dollar limit for requiring board approvals from US\$10,000 to US\$500,000. The average time for project funding approval has dropped from 98 days to an average of 22 days.

New practices accepted as part of the Doe Run culture include these:

- Project managers prepare formal business cases for projects even when not required.
- Team members remind each other that project and portfolio management processes are “just the way we do things” and hold each other accountable.
- A portfolio and project management team was formed with key stakeholders from throughout the company. They chose a project management methodology designed for the mining vertical market and customized it.
- Doe Run adopted standard cost estimate practices from the Association for the Advancement of Cost Engineering International. Project managers were trained on the amount of planning documentation required to arrive at the desired cost accuracy.
- The first step toward improving the project portfolio was to improve the quality of project estimates. The PMO introduced the Business Analysis function to improve the focus on scope management.
- Education on the project management methodology, best practices and terminology is provided through regularly scheduled training classes offered by the PMO. A brief overview of the project management methodology and practices is included in the orientation program for all new managers. Project sponsors attend a three-hour overview on their role in project success. This training helps project sponsors become comfortable with their role in holding project managers responsible for project delivery.
- Projects in progress are reported on monthly via dashboards that provide an appropriate level of detail for the audience and support “drill down” to details if desired. Key projects are discussed in monthly business reviews and reprioritized as necessary. This transparency has allowed management to see project trends monthly and make sure corrective action takes place sooner rather than later.
- Management holds project managers and team members accountable for project performance based on metric results revealed in post-project audits. These metrics are incorporated into both the Doe Run Global Performance Management system (used for evaluating employee performance) and variable pay (bonus) calculations (PM Solutions, 2010b).

People Management Best-Practice Example

The challenge: During the early 1990s, industry dynamics such as global competition, resource pressures, rapid change in customer segments and new technology drove IBM to rethink its organizational structure, business model, and management approach. Internal studies supported that the lack of good project management was a major contributor to project failure, customer satisfaction issues, and the erosion of revenue and profit. Therefore, IBM identified project management as key to reliably delivering complex business solutions to its global customers.

The solution: In 1996, IBM’s CEO set a strategy to transform IBM into a project-based enterprise by raising project management to a core competency. The Project Management Center of Excellence (PM/COE), a formal global PMO, was chartered as the change agent for this transformation.

The PM/COE mission is to develop and implement a corporate strategy to achieve global organizational competence in project management. This PMO establishes and drives a consistent career infrastructure, a common methodology based on industry standards, a community of knowledgeable practitioners, and supportive enablers including processes and systems. It also develops and maintains a professional project management community within IBM. Among others, the following principles guide the PM/COE’s role as a change agent and corporate PMO:

1. **Qualified project managers assigned to all significant projects.** Selected, certified project managers manage all significant projects; our management systems enable this process. A progressive qualification structure, including the requirement to pass independent industry examinations, ensures that IBM project managers obtain the requisite knowledge and experience to progress through their careers.
2. **Project managers and executives accountable for project success.** IBM project managers, account teams, and executives are assessed, recognized, and rewarded based upon meeting the project and program objectives and achieving high client satisfaction.

3. **The development and nurturing of a vibrant project management community of practice.** The professional community thrives and grows through mentoring, teaching, project assessment and assurance activities as well as the sharing of experience through lessons learned exercises and published papers. It is considered an honor to contribute to one's profession in this way.
4. **A best-practice approach to qualifying and certifying project managers** that “quality assures” progress through the project management career path and consists of two levels:
 - **Accreditation:** the entry level into the qualification process consists of a documented self-assessment of skills and experiences against established requirements, which is then validated by the professional's manager.
 - **Certification:** intended for more experienced project managers. It requires completion of a formal internal certification package assessing the candidate's skills and experiences against rigorous criteria in addition to education and giveback requirements. Attaining a Project Management Professional (PMP)[®] credential is a prerequisite to IBM certification. Over 12,600 IBM employees are PMP credential holders.

The PM/COE manages the curriculum development, delivery, and deployment through a global Curriculum Steering Committee (CSC) with business unit and geography representation. Every classroom course is delivered the same way in every country using the same materials with local instructors certified to teach the course. E-learning courses are accessible worldwide 24 hours a day, 365 days a year.

Today, IBM has more than 26,000 project managers with more than 5,000 employees having achieved IBM PM certification. This pipeline of certified project management practitioners allows IBM to respond to more opportunities and to properly staff key projects with qualified leaders.

In addition to formal education, the PM/COE sponsors and supports a PM Knowledge Network (PMKN). This self-sustaining project management community, with its 12,000+ members, shares knowledge and experiences by creating or reusing project management intellectual capital stored within a global repository.

Another key best practice managed by this PMO is the eShareNets program—recorded global sessions providing timely, targeted, no-cost education and best practices to the PM population. The session replays and presentations are posted in the PMKN repository and have been accessed over 42,000 times since June 2008 (PM Solutions, 2010b).

Project Portfolio Management (PPM) Best-Practice Example

The challenge: Norton Healthcare began in the 1880s as a group of charity hospitals and their roots in the faith community are reflected in the not-for-profit organization's key values of respect and compassion for patients. As the largest health care provider in Kentucky, they care for more than one million patients per year and manage a network of facilities that includes five hospitals, two medical centers, eight immediate care centers, 35 physicians' practices, and more than 2,000 doctors and 3,000 nurses serving 40 locations across the region. With these kinds of patient care numbers, it is not surprising that Norton Healthcare is also one of the area's largest employers, with a payroll of more than US\$340 million. Yet like most nonprofits, Norton Healthcare has limited resources—both human and financial. Prior to 2002, in the absence of coherent project management and portfolio selection processes, new projects were often undertaken without regard to the human resource capacity. “The never-ending project” was a familiar feature of the organizational landscape. Cultural differences between IT, clinicians, and management made integration of efforts difficult if not impossible.

The solution: In 2003, after a successful clinical systems implementation, the CIO hired the project management consultants responsible for the success and charged them with establishing a PMO to manage medium to large information systems (IS) projects. Soon, however, the new PMO demonstrated its value in practical ways by implementing simple, consistent practices on all projects and they began to receive requests to manage projects outside of IS. And, as they experienced success with those projects, it became clear that what worked for IS, Material Management and Human Resources projects would work throughout the entire enterprise. Thus, by 2005 the PMO had more requests for services than three people could handle, and expanded by hiring four additional full-time project managers and by 2008, it had become an EPMO handling 59 programs and projects managed by seven

full-time employees. One of those programs, the construction and staffing of a new hospital, was a finalist in the Project Management Institutes' Project of the Year competition in 2010.

Cultural sensitivity is a key element in the management of the Norton portfolio. In working with various groups in the organization, the PMO tailors its approach to the audience, whether clinicians, IT staff, or patients. A key question in the portfolio selection process is therefore "Will this impact hospital staff?" The EPMO implemented Sharepoint Services in January 2004 to be used as the intranet and developed an Enterprise Program Management portal with links to all of the active projects that they were working on. The EPMO has found that each team that they have worked with has become a believer in project management and in the organizational changes they have initiated.

Today, project management is embedded in Norton's culture, and the EPMO's customer satisfaction rating is very high. In 2008, the EPMO became involved in enterprise strategic planning using portfolio management to limit and prioritize programs and projects based on urgency, budget and resource needs. Senior leadership now requires key executives to submit their project requests to a panel of their peers to be evaluated against one another. As programs and projects are chosen to be considered for implementation, the next step is project justification. The EPMO helps them evaluate the cost, time required, resources and scope of each one to determine how much can realistically be done in one year. Using the business strategy is the starting point, the EPMO organizes the work to be done in a series of departmental portfolios which are then broken down into programs (if appropriate) and projects. Now everyone can see how they will personally help implement Norton Healthcare's strategic plan. In addition, compensation is linked to meeting objectives (PM Solutions, n.d.).

Performance Measurement And Management Best-Practice Example

The Challenge: Until American Power Conversion, a manufacturer of industrial electrical equipment, was acquired by European firm Schneider Electric in Q3 2006, the Availability Enhancements Group (AEG) was the largest of four engineering groups within the company. The 450-person organization was responsible for the new product development (NPD) of products such as computer room air conditioners, console port servers, rack power distribution units, datacenter equipment racks, battery management systems, physical threat monitoring equipment (cameras, sensors, alarms), and the software management applications that support APC products. At the time the PMO of the Year Award was applied for, AEG had a US\$56 million portfolio of over 60 active new product development, IT, and physical infrastructure projects. However, the company was still struggling to meet customer expectations, especially in the area of on-time delivery. In 2002, only 21 percent of projects shipped within 10 percent percent of contracted schedule.

The solution: In 2003, citing slippage in NPD project schedules, confusion about project priorities, and a dotted-line reporting structure that made accountability difficult, an AEG PMO was established at the company's St. Louis location. After good results in the first year, the PMO scope was expanded to include all eight development locations of AEG, becoming the Global Project Office (GPO).

One of the first PMO tasks was to better define the role of the project manager and set expectations for what a *proactive* project manager does:

- Ensures clear requirements exist before committing to schedules, budgets, product costs, staffing plans, etc.;
- Uses process to evaluate, analyze, and approve any proposed requirements changes before changing scope;
- Continually identifies and manages risks;
- Keeps all project stakeholders informed; uses communication plan;
- Looks ahead to eliminate problems;
- Uses Crystal Ball (a homegrown portfolio management tool) and NPD process regularly to their full extent as vital communication tools; and
- Reports true project status early and often.

To demonstrate that a focus on project manager competence delivered the desired business results, the GPO established a performance feedback mechanism for project managers based in part on demonstrated actual project performance. The GPO maintains data, by project manager, on the number of projects run, average schedule slip,

and average product cost deviation. In addition, the GPO established the practice that no project managers would be promoted without having obtained PMP credential.

Did these people-focused strategies work? The numbers tell the story: In 2005 and 2006, 51 percent of projects shipped within 10 percent of contracted schedule. To be certain that these gains were related to the push to formalize the role of the project manager, the PMO gathered data to compare the performance of projects led by PMP credential holders to that of projects led by those without a PMP credential. For example, for the period January 2004 through September 2006, the median schedule slippage rate for projects led by someone without a PMP credential was 29 percent, compared to 0 percent for those led by PMP credential holders (PM Solutions, n.d..)

Positioning the PMO For Success: Best-Practice Example

The challenge: Like any healthy organization, Accident Fund Insurance periodically looks at its organizational investments and makes value judgments about them. For example, the centralized Quality Department was eliminated because it was not seen as adding value to the core business. The Innovation and Planning (I&P) Department—a new and unique organizational unit that melded project management and strategic responsibilities—was determined to quantify its overall value proposition to the enterprise.

The solution: The PMO became self-funded in one year's time by pursuing cost savings related to vendor and contracts management. In addition, the I&P PMO delivered strategic value to the enterprise in an array of other ways including the following:

- A clear linkage to and ownership of the five-year strategic plan through each annual planning process.
- The VP of Strategic Planning participates directly with CEO and senior staff and actively facilitates the ongoing dialogue on the strategic plan during monthly offsite meetings with all VPs and the CEO.
- The PMO takes priorities and direction from a cross-functional Executive Steering Committee (ESC). The PMO team institutionalized a dual project governance structure: the ESC for strategic initiatives and Project Prioritization & Management (PPM) Committee for tactical department project prioritization, and brought acquired subsidiary companies along into these processes.
- The I&P team directly facilitates these committees through scenario planning, prioritization, decision gates, cost-benefit analysis (CBA) reviews, resource allocation, and project sequencing decisions.
- The project managers “own” the initiatives right from concept exploration through closeout and benefit recognition—regardless of the type of project (IT, facilities, M&A, R&D, etc.).
- The PMO is responsible for linking the annual plan (a subset of the five-year strategic plan) process directly to the annual budgeting process across the enterprise.
- The PMO is responsible for the post-project “Benefits Realization Process” (Did we recognize the benefits outlined in the CBA if not, why not? If not yet, then when?).

While continuing to focus on improving processes, business results remain the Innovation and Planning team's primary mission. After winning the PMO of the Year Award in 2008, in 2009 the I&P PMO was featured on the cover of *PM Network* magazine as an example of a PMO that had mastered the art of demonstrating its value to the executive suite (PM Solutions, n.d..).

The Road Ahead

Four factors play a major role in the current state of PMOs that will have significant impact on their future:

1. The growing strategic value of the PMO is seen in the growth of higher-level strategic functions, particularly portfolio management. We expect to see continued growth in the strategic value of the PMO, especially as portfolio management gains more recognition as a strategic tool for the enterprise.
2. The increased role of the PMO in training is significant in that it shows that project management skills are now understood to be a critical success factor for organizations. Our research shows that less mature organizations are especially lacking in project management skills, and training will continue to be a significant focus of the PMO.

3. Resource management continues to be a challenge that PMOs will focus on. As our research shows, the number one priority for PMOs over the next year is to improve their resource planning and forecasting processes (PM Solutions, 2010a).
4. Performance measurement will be the differentiator of organizations that continue to expand their influence within the enterprise. PMO leaders must learn to baseline their work and demonstrate their achievements in hard numbers.

Interactive Discussion

What are your company's best practices in each of these areas? How do you compare with the top performers?

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