

The Project Management Office

In Sync with Strategy

The project management office (PMO) is easing its way into the mainstream. Yet to be truly effective, PMOs must reflect the organizational culture and strategy—or risk being dismissed as an unnecessary layer of bureaucracy.

Those within the profession see a clear ROI and are increasingly implementing PMOs. *The State of the PMO 2010* survey of PMO leaders and other project professionals found that 84 percent of organizations currently have one—a jump of 36 percent from 2000.ⁱ

Companies that have made the leap are reaping benefits. Organizations with a PMO report significantly more projects coming in on time, on budget and meeting intended goals and business intent compared to those without a PMO, according to PMI's *2011 Pulse of the Profession Survey*.ⁱⁱ

The State of the PMO 2010 says PMOs help:

- Reduce failed projects
- Deliver projects under budget
- Improve productivity
- Deliver projects ahead of schedule
- Increase cost savings

“Not taking advantage of PMO value can be an expensive way to operate,” says Michael Cooch, director of global portfolio and program management propositions, PricewaterhouseCoopers, London, England.

And that view is expanding beyond the project management community. “It is not just the PMO practitioners that are talking about PMOs—it is everyone seeing that there is something there,” Mr. Cooch explains. Unfortunately, not everyone is clear on the benefits: In *The Global State of the PMO: Its Value, Effectiveness and Role as the Hub of Training*, 60 percent of respondents reported that the value of their PMO had been questioned.ⁱⁱⁱ

This disconnect can be caused by a number of factors, from structural problems to inadequate metrics to lack of executive support. To secure the buy-in support needed to survive and thrive, PMOs must be always be aligned with organizational strategy—no matter how often it changes. Companies must also understand that PMOs are not a cure-all for organizational woes.

NOT ALL PMOS ARE CREATED EQUAL

While effective PMOs share some key traits, there is no such thing as a standard approach to PMO development.

There are multiple ways to classify PMOs, says Monique Aubry, PhD, professor, graduate programs in project management, School of Business and Management, University of Québec at Montréal, Québec, Canada. PMOs can vary based on their organizational context, structural characteristics (such as where the PMO is located within the organization), and roles or functions.

These factors mean PMOs can differ greatly from organization to organization. What they all must have in common, however, is a strong foundation to help them weather the precarious early stages of the PMO's launch.

Mr. Cooch estimates half of PMOs fail on their first attempt because they do not align with organizational strategy. For instance, a company might set up its PMO success criteria around budget, when the organization's overall focus is innovation. At IT giant Google, for example, delivering cost-effective and timely projects is important, but not as important as coming up with cutting-edge thought leadership. "The PMO has to have an environment where ideas can be created," he says. Sometimes that means the budget and schedule are lower priorities.

Understanding a company's key drivers is the only way PMOs will contribute value, Mr. Cooch explains.

"You have to be flexible... You really have to understand the market and the organizational archetypes you are working in. How does organizational strategy tie into your strategy?"

– Michael Cooch, director of global portfolio and program management propositions, PricewaterhouseCoopers, London, England

PMOs vary by organization, but establishing the necessary processes and culture does not require starting from scratch each time. "I do not believe PMO leaders need to consider themselves unique in the world of leadership or fostering a culture of success" says Mr. Cooch.

Mr. Cooch suggests all PMO leaders:

1. Err on the side of collaboration over policing to boost support and longevity.
2. Secure executive buy-in so the PMO's value is understood by the whole organization.
3. Ensure every member of the PMO team understands his or her individual value and the value of the PMO as a whole.

One of the top differentiators of success is how well a PMO is embedded within an organization, Dr. Aubry says. She lists four factors that determine this level of integration:

1. **Collaboration:** The PMO should encourage collaboration between project professionals and functional departments.

2. **Recognition of expertise:** Do the project professionals working with the PMO improve the level of respect project management receives within the organization? This should also influence who works in the PMO.
3. **The mission is well understood:** Do those outside the PMO know its purpose?
4. **Support from upper management:** Is there an executive champion who will not only communicate the mission, but will work to gain engagement from stakeholders?

“Increasing the intensity of one or more of these variables should increase the level of embedding and, consequently, the PMO performance,” says Dr. Aubry. “The organization needs to put emphasis on these elements that are often put aside, rather than taking care only of technical facets of the PMO’s functions and characteristics.”

PMO IN ACTION

The Organization:	State Auto, Columbus, Ohio, USA
The Sector:	Insurance
The ROI:	By focusing on outcomes rather than processes, State Auto’s reorganized PMO nearly tripled the number of projects that deliver on organizational strategy.

The PMO at State Auto was operating in a vacuum. Small, random projects would pop up, with no consistent mechanism system to ensure projects were meeting strategic objectives, staying on budget and sticking to their original goals.

Realizing it had to make major changes, the company put the PMO in charge of delivery, methodology, governance, project portfolio management and change management for enterprise-wide projects.

State Auto’s overall strategy is now revisited each year, and once a month, the PMO team analyzes how it is driving that vision through projects.

Organizational units looking to launch projects are now required to build a business case that details how they align with corporate strategy. Also, teams are now required to complete project scorecards to demonstrate this alignment.

“Strategy without execution is hallucination... You can develop strategy, but if you cannot execute it, you can just throw it away.”

– Greg Ramah, State Auto’s project portfolio management director

Getting to that point has been a multi-year process for State Auto. Mr. Ramah overhauled the PMO team in 2009, replacing a team staffed primarily by those with an insurance background.

“I brought in people who understand what makes projects work, what makes project fail... If PMOs are not staffed well, they won’t understand this.”

– Greg Ramah, State Auto’s project portfolio management director

The PMO team spent time with executives and stakeholders, including project managers and subject matter experts, to discuss the value of the PMO, its goals and its methodologies.

Mr. Ramah and his team began by working with business units enthusiastic about the PMO’s changes, including IT and claims. “We brought them in early and really talked to them about what they wanted to accomplish and how it meshed with what we wanted to accomplish,” Mr. Ramah says. Those units were then transformed into promoters for the PMO throughout the organization. “Once they see success, they want to be involved.”

Not all of State Auto’s business units have been keen on its PMO’s new approach. Now that they can no longer just launch a project, says Mr. Ramah, some view it as a constraint. But the PMO team continues to work with reluctant units to bridge that gap, helping them realize the added strategic value of teaming with the PMO.

The PMO’s efforts are having an impact. Now 90 percent of State Auto’s projects are tracked within the PMO, Mr. Ramah reports, and a majority will be directly aligned to business strategies by the end of 2012.

SEEING VALUE

Perhaps the biggest obstacle facing PMOs is not delivering results, but communicating them upward. Only 15 percent of project managers who report to vice presidents of IT believed their firm recognizes the PMO as delivering significant value, according to *The State of the PMO in 2011*.^{iv} That number increases slightly, to 22 percent, when respondents report to a CIO. And nearly 70 percent of respondents to the *Global State of the PMO Study* who said that their PMO’s value was questioned said that it was senior management who was skeptical. Those questions often are due to a lack of project management understanding in the upper ranks.

“Why do some organizations see the value of PMOs? This is directly related to the project management maturity of its leaders, not just the size of the organization.

– Eric Morfin, PMP, senior director of the oncology business unit at Pfizer, La Jolla, California, USA

“I have worked with large companies with very immature leadership and smaller organizations with very mature leaders,” Mr. Morfin says. “If the executive is not mature or familiar with PMOs, at least that person needs to be smart enough to hire the best PMO leader and let him or her establish the processes and culture to make a difference.”

Executives must first establish the value of project management in delivering strategic results. With that foundation, they can then spread the word about why the organization needs a PMO. They should secure funding, get buy-in from different departments, and create a value proposition. “That will happen with the executive support,” Raed Skaf, PMP, executive manager of PMO and budgeting at Mobily, Riyadh, Saudi Arabia.

Attention from the executive suite can go a long way, Mr. Morfin says. But because it can take anywhere from eight to 15 months to show benefits, executives must be ready, willing and able to support and protect the PMO staff in the interim.

“By following the PMO processes and guidelines, executives will provide credibility to the whole process and to the PMO itself.”

– Eric Morfin, PMP, senior director of the oncology business unit at Pfizer, La Jolla, California, USA

Once the PMO finds its rhythm, executives must continue to offer support—but learn when to step back. “A high level of executive involvement in the committees or in the decisions made by the PMO will often lead to constant changes, frustration and a sense that the PMO is only another fad that will pass with time,” Mr. Morfin says.

PMO IN ACTION

The Organization:	National Cancer Institute (NCI), Bethesda, Maryland, USA
The Sector:	Healthcare
The ROI:	Evaluating its processes helps a PMO reduce project planning time by 75 percent.

To maximize the value of a PMO, project management leaders must not only analyze organizational processes—they must be willing to make necessary changes.

Pfizer’s Mr. Morfin dove into NCI’s project management processes while working as head of its PMO in 2010. He found that teams working on early-phase drug-development projects started each project plan from scratch, even though there was significant overlap across all of them.

“When you look at the activities in a work breakdown structure for any cancer project and compare (them) with other cancer projects, you will find that 80 percent of the activities will be the same from one project to another one,” he says. “It does not mean all the parameters for these activities will be the same, like duration or cost, but the activities and the type of work are identical or very similar.”

To streamline the process and end duplication, Mr. Morfin worked with the PMO to design, implement and manage a phase-gate process that incorporates project management, design control and process management practices. Under the old system, teams would participate in 16 four-hour meetings to create a project plan. Now, it takes only four meetings—a 75 percent reduction.

“The main goal of the institute was to become more efficient in its use of all resources—people and financial... Additional benefits were to provide a greater level of transparency to the use of government and other grants by providing a clear selection process and up-to-date information.”

– Eric Morfin, PMP, senior director of the oncology business unit at Pfizer, La Jolla, California, USA

To make those changes, the PMO team had to overcome the status quo. The deputy director of NCI was willing to stand by the PMO and had faith in trying new approaches and methods. “That made overcoming resistance much easier than anticipated,” he says. “As the leader of the group, others followed and respected his decisions.”

Another issue: the desire of middle managers and other department heads to control the PMO to advance their own agendas, which had very little to do with bringing in efficiencies, Mr. Morfin explains. “The only way to address these behaviors was to systematically bring them up to the top leaders and have them restate the vision and goals.”

WATCH IT GROW

A PMO’s development is never done; it must continue to mature, grow and evolve to deliver value to organizations. “There is this kind of complacency that can set in,” says Mr. Cooch. “But you’ve got to keep yourself on your toes. Do not pull out of the race too early. Never stop improving.”

PMOs should implement periodic assessments to ensure strength and improvement areas are clearly identified. “I bring in my assurance colleagues at least every six months to run a full health check on my programs,” he says.

Organizations should also provide PMO leaders with ongoing training and encourage them to take advantage of networking opportunities to improve their skill sets.

That kind of growth heightens the PMO’s capabilities, which in turn boosts results. According to *The State of the PMO 2010*, advanced PMOs are far more likely to meet critical success factors, reduce the number of failed projects, and demonstrate significantly greater improvements in the areas of cost savings and on-schedule delivery.

One key differentiator of capability is the number and type of roles that comprise the PMO. The survey found that more developed PMOs were almost twice as likely to have a metrics analyst, “because being appreciated for adding value is at least partially due to measuring the value that you add,” the report says. Advanced PMOs were also more likely to have bigger budgets and perform portfolio management, training and development functions.

“Ultimately, the PMO needs to be the driving force shaping the organization’s project management culture. It means that the PMO will often be suggesting changes to the overall organizational culture to ensure that the efficiencies keep being delivered.”

– Eric Morfin, PMP, senior director of the oncology business unit at Pfizer, La Jolla, California, USA

Another sign of a PMO’s capabilities is how well it adapts to organizational strategy shifts that are driven by business trends. “The educated PMO should be able to evolve before everyone else,” says Mr. Cooch. If the market starts to decline, for example, PMO team members should be able to recommend whether or not the project portfolio needs to be trimmed, or whether or not the defined success criteria need to be altered.

“They need to be at the forefront of identifying and responding to trends. It becomes that value-added function. If a PMO can become that trusted adviser and align itself to strategy, it will succeed,” says Mr. Cooch. “If not, you are already heading down the wrong path.”

Dr. Aubry says it comes down to adaptability. “When we implement a PMO we should always think about change,” she says. “It will change. It’s normal to change.”

But those changes should be communicated to executives and stakeholders in way that will not give ammunition to skeptics. “Agility, in the case of PMO design, is the capacity to adapt and evolve. To be agile, a change in a PMO should not be communicated as something was ‘wrong’ with the PMO, and now we have it right,” Dr. Aubry says. Instead, organizations should provide reasons for the change and the benefits, while reinforcing the transitional nature of the PMO.

Being flexible with process is one way organizations can deal with change. “Not all projects are the same size or degree. You have to be able to move quickly on some projects. If you cannot scale, you are pigeonholing yourself,” Mr. Ramah says. In some cases, unwavering adherence to process can cause a critical delay in time to market, for example. Instead, process should adapt and be monitored with checks and balances.

“Crushing your people with process will alienate you, and you’ll find the PMO measures of success do not align with those of the project and program leads.” says Mr. Cooch. PMO leaders should start small and focus on the project manager’s needs. Producing a scorecard, for example, can give them insight into a project that they have not had before.

“...As your PMO process framework widens, you should be trying to reduce the administrative burden at roughly the same rate. Same effort, less administration, more insight... We are evolving the PMO, across the board, beyond administrative and tactical functions to critical strategic entities.”

*– Michael Cooch, director of global portfolio and program management propositions,
PricewaterhouseCoopers, London, England*

SUMMARY

As the number of PMOs increase, so do expectations. No longer is it enough to simply lead governance or monitor methodology. Instead, PMOs must provide tangible, repeatable, long-term benefits. To do so, they must be customized from the start to align with organizational strategy and be prepared to change as corporate strategy shifts.

Furthermore, it is not enough for PMOs to produce results. They must also communicate those results throughout their organization to earn executive support and overcome skepticism. Only by doing so will PMOs be viewed as offering a competitive edge.

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- i. *The State of the PMO 2010*, PM Solutions. Results based on more than 290 respondents from around the world and across a variety of industries, including PMO leaders, team members, project and program managers.
 - ii. *2011 Pulse of the Profession*, Project Management Institute. Results based on a survey of more than 1,000 PMI members and credential holders.
 - iii. *The Global State of the PMO: Its Value, Effectiveness and Role as the Hub of Training*, ESI, March 2011. Results based on a survey of more than 3,700 respondents from around the world.
 - iv. *The State of the PMO in 2011*, Forrester Research. Results based on an online survey of 693 PMO leaders conducted from April to May 2011 in conjunction with PMI's Program Management Office Community of Practice.