



international centre for
programme management
at Cranfield

Cranfield
UNIVERSITY
School of Management



To have or not to have a PMO - is that the right question?

Transforming
knowledge
into action

© Cranfield University 2013

All rights in this written material are Reserved. No part of this publication may be reproduced or stored in a system capable of retrieval or transmitted in any form or by any means, electronic, electrostatic, tape recording, photocopying or otherwise without the express permission in writing of the publisher.

This material is prepared with care from information at our school's disposal as a guideline and is not intended to be comprehensive. Cranfield shall give no express or implied warranty as to the quality, fitness for purpose, accuracy or sufficiency of the contents contained herein. No liability whatsoever or howsoever shall be accepted by Cranfield for any direct, indirect, incidental or consequential loss or damage incurred by the user hereof or any third party arising from or in connection with the use of any information contained in the material.

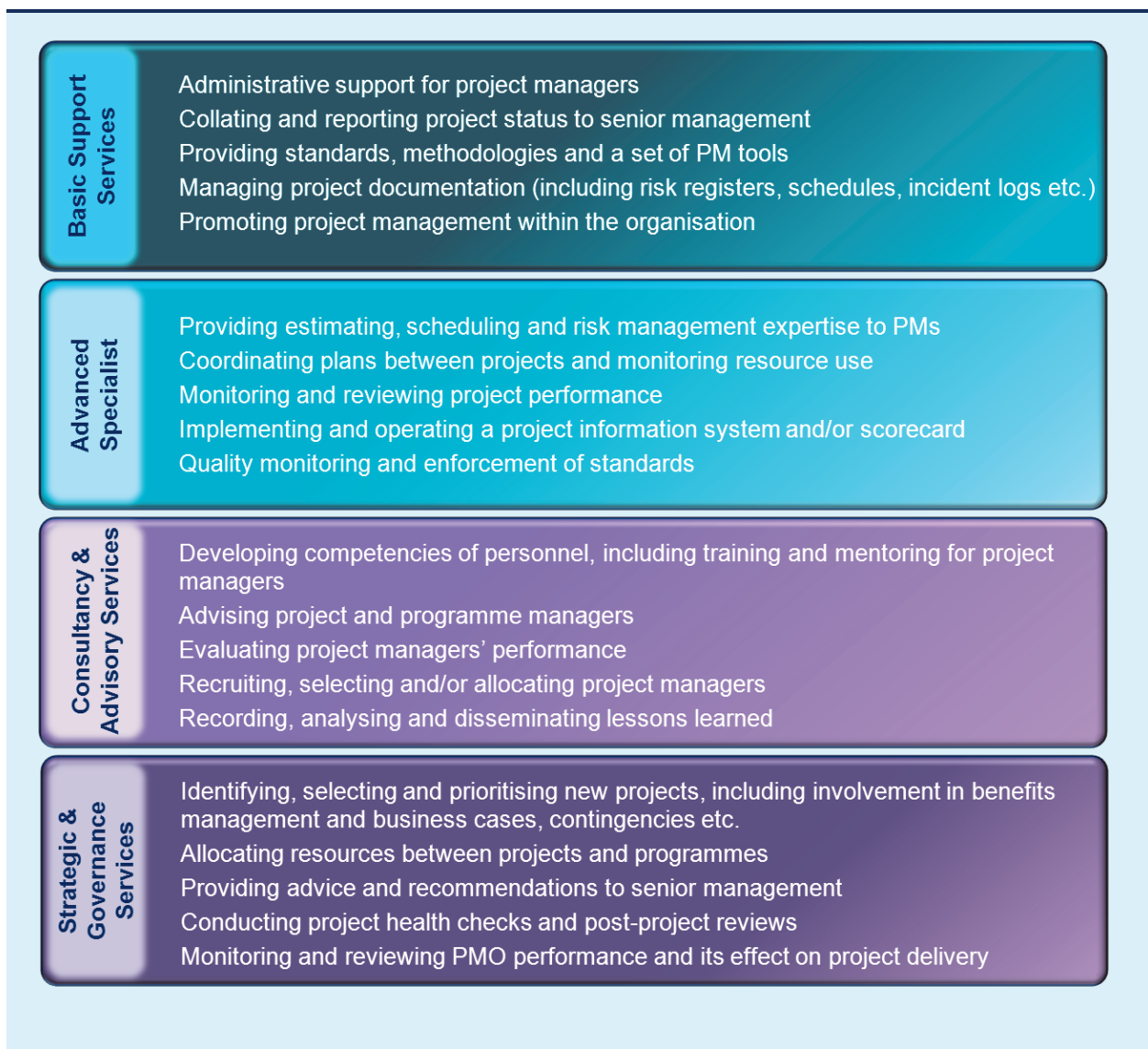
PMO*: Project management office

Project Management Office is defined by the Project Management Instituteⁱ as:

An organisational body or entity assigned various responsibilities related to the centralised and coordinated management of those projects under its domain. The responsibilities of the PMO can range from providing project management support functions to being responsible for the direct management of a project

(* PMO is a generic term for a number of types of organisational unit: these are called, amongst other things, project or programme offices, project support offices, programme management offices, corporate or enterprise project offices.)

PMO services:ⁱⁱ



Why do organisations have PMOs?

Across the world organisations are spending very significant sums of money in projects and programmes, to achieve changes that are critical to their future success. However, many organisations still struggle to achieve success with the majority of their projects and programmes. Some believe that the effort and money spent in implementing PMOs has made a big difference in the level of success achieved in executing projects and programmes.

Our research shows that around 70% of large organisations have some form of PMO. But our research also shows that, whilst some can be shown to contribute to increased project and programme success rates, others are less effective. Overall, it appears organisations have a PMO for one or more of the following reasons:

1. To reduce the risk of projects failing to deliver to time, cost and quality targets
2. To increase the success of projects and programmes in delivering the business value expected
3. To make more efficient use of project resources by using a “shared service”
4. To make more effective use of scarce skills and resources across projects and programmes

Why is more knowledge needed about PMOs?

In the project and programme management community opinion is divided on the role of PMOs in delivering programmes and whether they confer real benefits. The UK Office of Government Commerce (OGC) views a PMO as an important part of programme and project management organisation structures and in its P3O modelⁱⁱⁱ promotes a three-level structure comprising a portfolio management office, a programme management office and a project management office.

However, many programme and project managers question the real benefits delivered by these support offices and consider them an overhead expense that adds little value to project and programme delivery or even an unnecessary bureaucracy that gets in the way. Some view them as a mere “weather station” collating and disseminating information about projects.

Earlier research confirms this disparity in views and also the huge variation in the structures and roles of PMOs. In the tougher economic conditions and increasingly competitive business environment of today, organisations cannot afford to continue spending huge sums of money on unsuccessful projects and programmes. Neither can they afford the cost of an ineffective PMO. So it is important to evaluate and understand the value a PMO can and should deliver and what constitutes the right mix of people and processes within a PMO to make that contribution.

We hope this brief report helps create a clearer understanding of what organisations can expect to gain from their PMOs and how to meet those expectations.

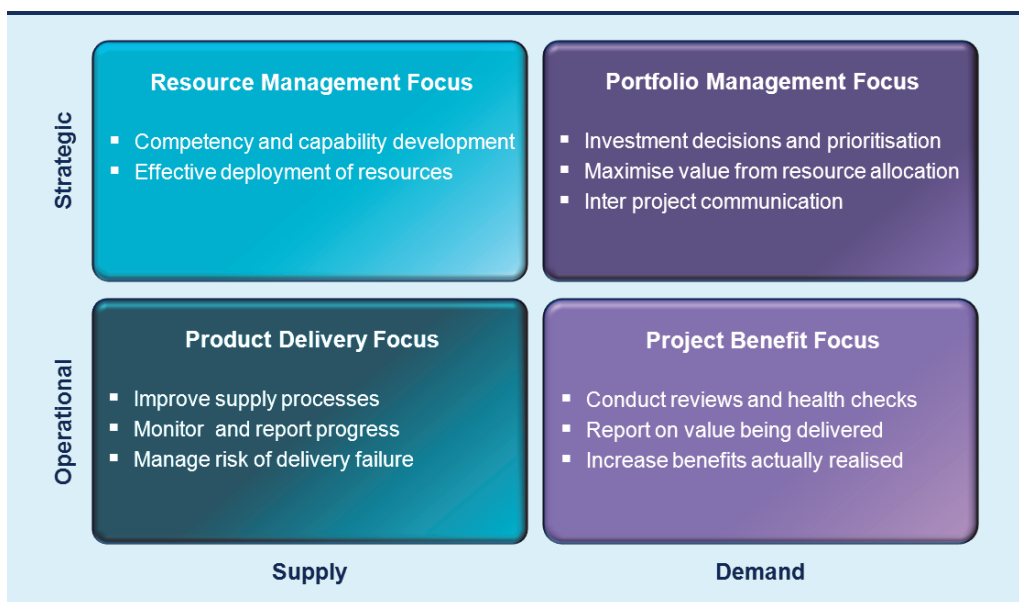
Defining projects, programmes and portfolios

Before we discuss the various types of PMO, we need to clarify what we mean by project, programme and portfolio management, since these terms are used quite specifically below.

Project management: Organising resources and activities to deliver a predefined scope of work, within agreed timescales and costs, using existing capabilities to achieve the benefits that justified the project.

Programme management: Organising resources and activities to define and deliver an evolving collection of related projects and activities that, in combination, achieve agreed objectives and emergent organisational benefits, including new capabilities.

Portfolio management: Managing a diverse range of related and unrelated projects and programmes to achieve the maximum organisational value within resource and funding constraints.



Dimensions of a PMO

The role of a PMO within a project or programme environment varies depending on:

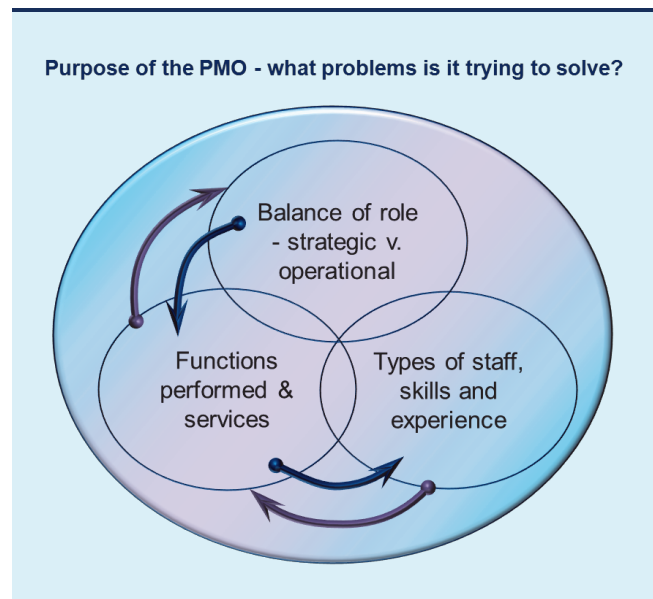
1. The range of services provided by the PMO – this can be interpreted as the number of services, the “sophistication” of the services or to whom they are provided (this applies to PMOs serving a single project or programme or multiple projects/programmes). These services should reflect whether the PMO is seen mainly as a means of improving **operational** performance in terms of project delivery or whether its role is more **strategic**: to improve project decision-making and governance.
2. The degree of involvement of the PMO in “**supply-side**” activities to improve the management of resources on authorised projects, or “**demand-side**” activities, including involvement in identifying investment benefits, portfolio management and prioritisation decisions

The relative position of a PMO along these dimensions will have a profound impact on the influence that it can have on the success of projects and programmes within an organisation and, as a result, the value that it can deliver.

Every organisation has its own set of challenges in managing its projects and programmes. Accordingly, the roles of PMOs vary considerably, partly based on their remit and the services provided, and partly based on the experience and skills of the people in the PMO. Research has also shown that PMO structures vary considerably, and that a “one-size-fits-all” prescriptive solution is inappropriate.

Since the purpose of a PMO is to overcome the problems an organisation has in consistently achieving success from its projects and programmes, it is those problems that should define the balance of the role. This in turn should determine the functions it performs or the services it provides. The nature of those services should then define the type of staff required.

But it appears that in many cases the role is actually determined by the skills and experience of the PMO staff and the services they are able to provide.



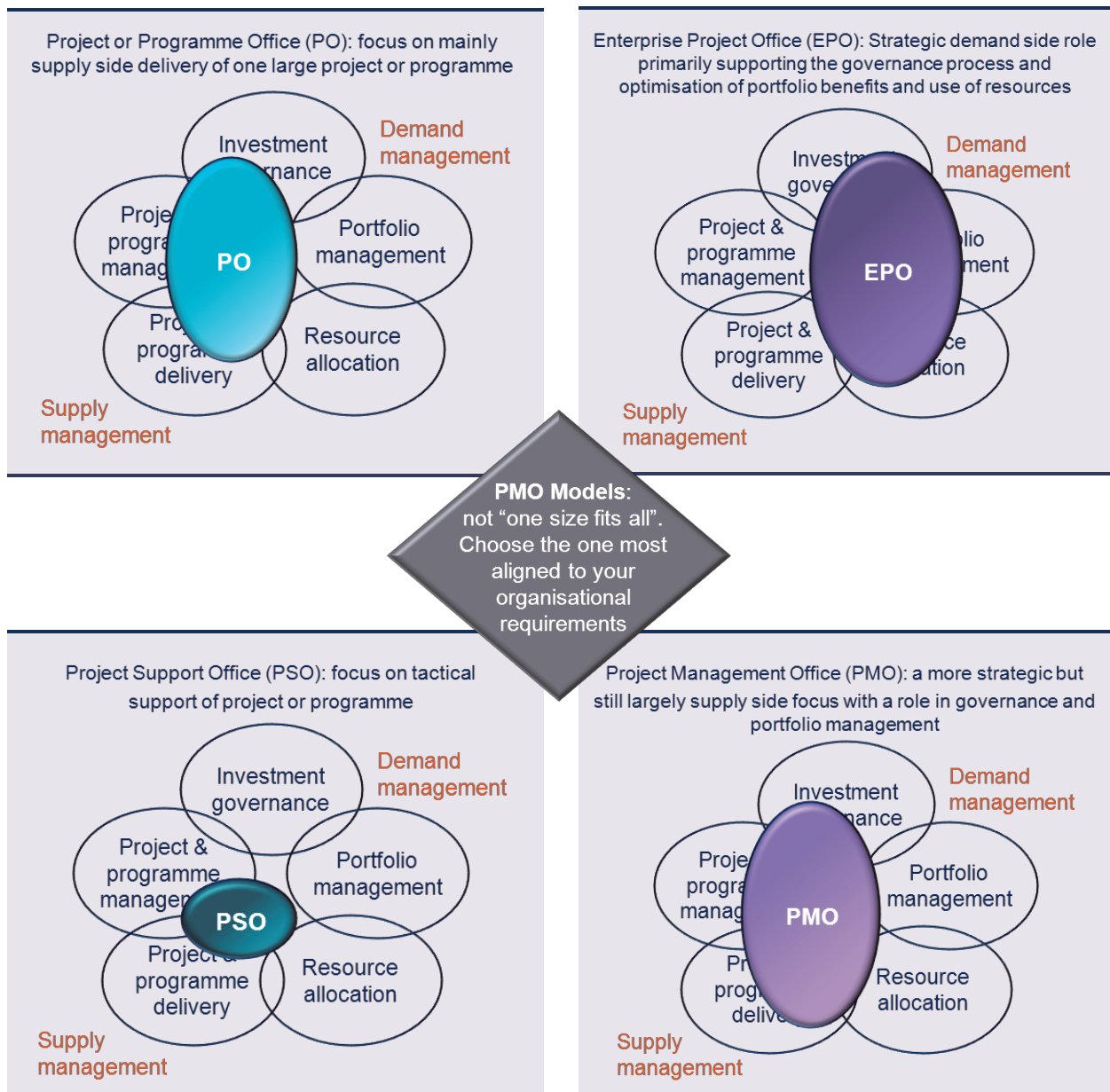
The role of a PMO and its spheres of influence

Our research suggests that the PMO role can influence any combination of five critical aspects of project, programme and portfolio management in an organization:



Types of PMO

In the following discussion we attempt to distinguish between the key aspects of different types of PMO: “project support offices”, “project or programme offices”, “project management offices” and “enterprise project offices”, in relation to the key activities above.



Project support office (PSO) has a supply-side (tactical) focus on improving the delivery of projects that have been approved by providing services to project managers. This may include subject-matter experts (SMEs). Use of the services by project managers is optional. A PSO will normally provide a set of basic and advanced specialist services that support:

- Project delivery activities including administration, work breakdown structures (WBS), time recording, documentation and standards
- Project management activities including project planning, performance reporting and providing specialist expertise (e.g. risk, scheduling and costing). Should include involvement in TCQ reviews and lessons learned
- Resource management: scheduling and planning of PSO staff activities

Project or programme office (PO) is a dedicated, temporary group within a large project or programme and mainly has a supply-side focus on ensuring the project or programme is delivered successfully. It provides basic and advanced services plus some consultancy/advisory and governance services required by the project or programme manager. This may include subject-matter experts and “policing” the use of standards. Those services will probably include:

- Project/programme delivery activities including administration, WBS, time recording and standards
- Project/programme management activities including performance reporting and specialist expertise. This may include reporting and advice to the project/programme governance group.
- Resource management activities involved in the particular project or programme such as scheduling and planning and financial control and budgeting

Project management office (PMO) has a strong supply-side role in ensuring all projects are delivered successfully, but this requires involvement in decisions about whether the investment is likely to succeed. It therefore provides advice to the governance group on business cases, risks and project performance. It also has a policing or regulatory role in ensuring projects and programmes conform to agreed standards and best practices. It should have staff who are business matter experts (BMEs) as well as SMEs. The use of the PMO services by project managers is mandated. In addition to the services provided by a PSO its role will normally be expanded to provide a range of consultancy, advisory and governance services that support:

- Business case review, including benefits, costs and risks, plus project health checks and post-implementation reviews
- Reporting to the governance group on project performance and resource utilisation – and lessons learned
- Project and programme manager development, mentoring and evaluation
- Resource management activities including forecasting, multi-project scheduling and planning to address project and resource interdependencies

A PMO may also provide project managers, but it will require experienced project managers in the PMO to deliver the services above.

Enterprise project office (EPO) is essentially a support for investment governance and has a strong demand-side role in ensuring the organisation’s investment decision-making will deliver the greatest benefit from the resources available. This includes involvement in portfolio management and project and programme identification as well as business cases for investment, resource planning and allocation. It should be able to optimise the allocation of resources to match business priorities, by having complete information on all projects – current and planned. It should be able to provide a forecast of the overall business value that will be delivered by the investment portfolio and report regularly on overall benefits delivered. It will normally provide a comprehensive set of consultancy/advisory and strategic/governance services.

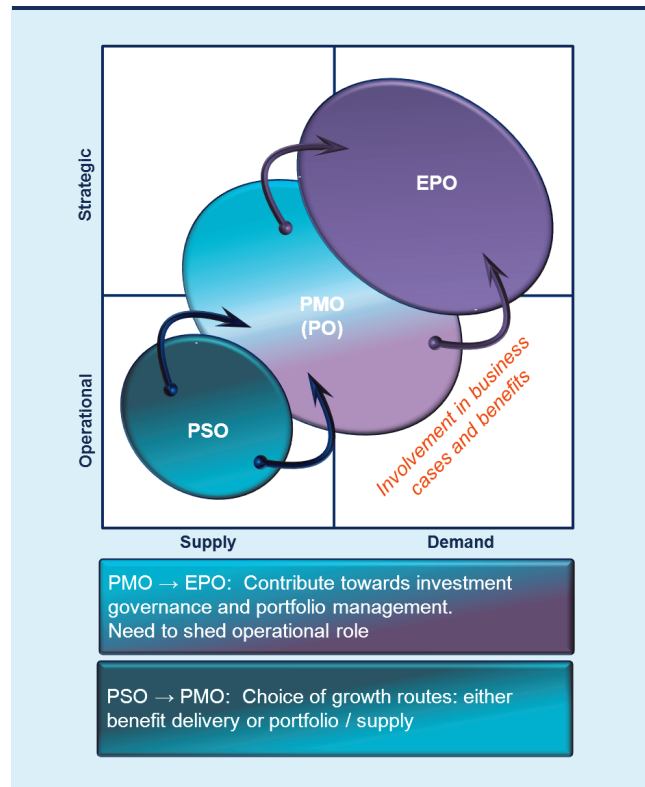
- It will need to provide some of the “advanced” services that a PMO provides especially those associated with business case appraisal and evaluation, reporting to the governance group on project performance and forecasting, multi-project planning and resource utilisation
- *BUT* it is unlikely that an EPO can function effectively if it is also providing a full range of PSO services. An EPO is of most value when the organisation is consistently proficient at project and programme management. It has to rely on information provided by project managers or, if necessary, a separate group that provides information on their behalf (e.g. a PMO or PSO).

Evolving the role of the PMO

Research shows that a PMO's role evolves over time both in terms of the services it delivers and the influence it has on project implementation and decision-making.

For a *PSO* to evolve into a *PMO* role, it needs to broaden both its supply and demand responsibilities. It can develop to have greater involvement in business cases and the delivery of project benefits, and/or can perform a more significant role in coordinating the use of resources across projects and so contribute to portfolio management.

For a *PMO* to become an *EPO*, it needs to move on from an “operational supply” role to become involved in “strategic demand” management. We would suggest that the “strategic supply” path may be the smoother route as it is based on portfolio responsibilities leading to governance impact. The “operational demand” route may create issues with project managers and senior management unless the revised mandate of the PMO is strongly endorsed by the governance group.



In either case it probably needs to shed some or all of its operational activities and have different types of staff to have legitimacy and real influence in the strategic demand role.

So what difference do PMOs make?

Earlier research into PMOs suggested that there was no correlation between having a PMO and project success, in terms of meeting time, cost and quality (TCQ) project estimates. But that research and ours shows that having a PMO increases the adoption of standard project management practices and methodologies.

Our study of nearly 150 organisations^{iv}, of which 70% had PMOs*, showed that, overall, those organisations with PMOs did not have higher project success rates, but somewhat counter-intuitively, they had lower levels of management satisfaction with the level of project performance and value delivered. This may be due to how long the PMO has been in place – it may be new and set up because of dissatisfaction with current project performance, or it may be that the management of organisations with PMOs have more information about poor project performance leading to decreased satisfaction. Other surveys also show that this may be the case, since there is greater satisfaction where the PMO has existed for a number of years^v.

(* We could not distinguish between PSOs, POs, PMOs and EPOs in the survey, since the names are not used consistently)

It's what they do that makes a difference

We analysed the roles and activities that the PMOs performed in those organisations that had high levels of project success and management satisfaction and compared them with the least

successful and most dissatisfied. We found very significant differences. We compared their involvement in a number of practices associated with delivering the benefits of the projects and programmes.

PMOs were involved in a wide range of activities in all the survey organisations, but in the most successful 25% they were involved in those that our research showed had the most effect on delivering the project benefits, whereas in the least successful 50% the PMOs were very rarely involved in these activities. These were in order of importance:

- Post-implementation review of success in changes made and benefits realised
- Change and benefits implementation planning

In more successful organisations involvement of PMOs in the above activities also led to greater satisfaction with the following activities

- Time, cost and quality reviews
- Transfer of lessons learned to future projects
- Identification of project benefits and the quality of business cases.

In the less successful organisations these activities were generally deemed to be done poorly, whether or not they had a PMO.

This suggests that PMOs contribute most to project success and management satisfaction when they are involved in the “downstream” project activities and the feedback or control loop following project completion. In this way the PMO plays a role in project governance and influences demand-side as well as supply-side activities by enabling the organisation to learn from its experiences and develop its “recipe for success”, in project selection and delivery. In the less successful organisations the PMOs are rarely involved in the activities and so make a more limited contribution.

Some conclusions about how to make a success of a PMO

We have defined and described different types of PMO that exist, the types of activities they undertake and the nature of the influence they have on key aspects of project, programme and portfolio management.

To conclude, it is clear that “establishing a PMO is not a simple solution to a complex problem”. Having a PMO does not, by itself, increase project success. It’s what the PMO does that makes the difference; and that should depend on how successful you already are in delivering projects and programmes, what problems you expect the PMO to address and the aspects of portfolio, programme and project management you want to improve.

Being clear about the business objectives for implementing a PMO or developing its role is essential if it is to deliver significant improvements in performance and justify the cost. Which and how many of the four objectives we described at the start are relevant will depend on the business problems the PMO is intended to overcome. Once the problems are clear and agreed, the type and range of services required to address them can be defined. This will determine the sort of PMO that is needed. Only then can the types of skills and expertise needed by the PMO staff be identified, roles defined and activities to deploy, manage and develop people to deliver the PMO services undertaken. Working in the PMO should be an opportunity for both individuals to develop their skills and knowledge and for the organisation to increase its project and programme management capabilities.

What then becomes critical is that project and programme managers *and* senior management make efficient and effective use of the services and capabilities of the PMO. And finally it is

important to define the metrics by which the performance of the PMO will be assessed and evaluated, both directly (the effectiveness of its services) and indirectly (the improvements it enables in project, programme and portfolio decision making and outcomes).

But that is not the end of the story. Research shows that few PMOs are stable: as issues evolve, business circumstances change and the PMO achieves some or all of its objectives, its purpose and role need to be reappraised and its services and resources adapted to remain effective or developed to meet new challenges that emerge.

References

ⁱProject Management Institute (2008) A Guide to the Project Management Body of Knowledge, PMI, Newton Square, PA, US.

ⁱⁱBased on a synthesis of activities/services from our research and Hobbs & Aubrey (2007): "A Multiphase Research Program Investigating PMOs", *Project Management Journal*, 38(1) and Desouza & Evaristo (2006): "Project Management Offices: A case of knowledge based archetypes", *International Journal of Information Management* 26(5).

ⁱⁱⁱOffice of Government Commerce (2008): For Successful Portfolio, Programme and Project Offices: Think P3O", *The Stationary Office, London, UK*.

^{iv}Ward and Daniel (2013): "The role of PMOs in IS project success and management satisfaction", *Journal of Enterprise Information Management*, 26, 3.

^vKPMG International (2005): "Global IT Project Management Survey", *KPMG, Sydney, Australia*

Contacts

Professor John Ward

Cranfield School of Management
Cranfield University
Cranfield
Bedford MK43 0AL
United Kingdom

www.som.cranfield.ac.uk
Email: j.m.ward@cranfield.ac.uk

Tony Illingworth PMP

The PPM Academy
Global Project & Program Management
HP Enterprise Services

www8.hp.com/uk/en/business-services
Email: anthony.illingworth@hp.com

About Cranfield and ICPM

For more than 40 years, Cranfield School of Management, a world leader in management education and research, has been helping individuals and businesses learn and succeed by transforming knowledge into action.

The School brings together a range of management disciplines through a significant portfolio of activities that includes research and consultancy, postgraduate masters and doctoral programmes, executive development courses, customised programmes and conferences. Cranfield School of Management is one of an elite group of business schools worldwide to hold triple EQUIS, AACSB and AMBA accreditation and our MBA, executive education and doctoral programmes are all highly ranked in the major league tables.

A key strength is our faculty, which is amongst the largest and most diverse of any business school in Europe. Leaders in their chosen fields, they are actively engaged in consultancy and business relevant research and are closely in touch with the needs of business and government. They are committed to practicality, which means they are consistently current and topical in their teaching.

A combination of rigorous research and inspirational teaching is at the heart of everything we do. We are dedicated to creating responsible management thinking, improving business performance and inspiring the next generation of business leaders. We work to change the lives of our students and executives by encouraging innovation and creative thinking, as well as the drive to succeed and make a real impact on their organisations.

The International Centre for Programme Management (ICPM) was established in 2008 with the aim of developing practice and theory of programme and project management through extensive in-depth studies in collaboration with a wide range of organisations across different industries. A variety of publications from this research are available from the website: www.som.cranfield.ac.uk/som/icpm.