

The State of the PMO 2010

» A PM SOLUTIONS RESEARCH REPORT

There's a direct correlation between the maturity of a company's PMO and the value it provides. Mature PMOs are far more likely to meet critical success factors. They also demonstrate significantly greater improvements in cost savings per project, schedule and budget performance, productivity, and they have fewer failed projects.

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About the Survey

The State of the PMO 2010 was designed to help us understand the nature of current PMO practices and discover trends that may point to solutions to today's challenges. The PMO has become the central organizational structure for standardizing the practices of companies in the delivery of their projects. PM Solutions Research surveyed a broad spectrum of companies to get a clearer understanding of the variety of factors that affect PMOs, including the following:

- » Do companies have PMOs? How long have they had them?
- » What functions are performed by these PMOs?
- » How large are PMO staffs? How experienced?
- » Do PMOs provide training? If so, what types of training?
- » What are the primary challenges facing PMOs?
- » What value does a PMO add to the company?
- » What are organizations' priorities for the upcoming year?

About the Respondents

- » Number of Respondents: 291
- » Roles of Respondents: Head of the PMO (45%), Project/Program Manager (22%), VP/Director-Level Project/Program Management (11%), PMO Staff Member (10%), VP/Director-Level Business Management (4%)
- » Size of Organization: Large (39%), Mid-sized (35%), Small (27%)
- » Industries: Manufacturing (21%), Finance & Insurance (20%), Professional & Technical Services (11%), Healthcare (11%), Information (11%), Government (8%), Utilities (5%)

The State of the PMO

During the past decade, PM Solutions has been actively gathering data on project management trends. In that time, we've seen a steady climb in the influence of project managers and project management. Nowhere is this increased influence more notable than in the prevalence and roles of the PMO.

The upward trend is unmistakable, both in sheer numbers of PMOs and in the rising organizational clout. In our 2000 research on *The Value of Project Management*, only 47% of companies had a project office. In 2006, our research on *Project Management: The State of the Industry* showed that 77% of companies had PMOs; *The State of the PMO 2010* research shows that 84% of companies have PMOs.

Our research clearly demonstrates that the PMO is fast becoming an organizational fixture that provides significant value. And in our analysis we've identified three key factors that are playing major roles in the current state of the PMO:

- » the growing strategic value of the PMO
- » the increased role of the PMO in training, and
- » the ever-present challenge of resource management.

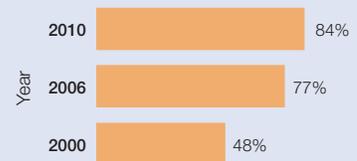
Understanding these factors will help us explain how PMOs provide value to their organizations today. The research also reveals best practices that, if implemented, will lead to ever-greater business success.

The PMO: A Valued Strategic Partner

The findings of this research describe an organizational entity whose time has come; compared with research from previous years, the PMOs responding to the survey have expanded their influence and moved up the organizational ladder. Of the companies in the study, 74% are large firms with over US\$100 million in revenues; that 15% of the individuals responding to the survey are at the Vice President level or above in these organizations tells us something about the importance and visibility of the new PMO. Well over half of PMOs now report to the highest levels of executive management, with 29% reporting to an Executive Vice President and another 27% reporting to the C-level. Obviously the days when project management did not have the ear of the executive are waning.

The vast majority of PMOs work on high-value strategic tasks: implementing or managing the governance process (72%), advising executives (64%) and participating in strategic planning (62%).

Percentage of Firms with PMOs



Growth in the number of PMOs signifies their rising influence in companies

The vast majority of PMOs work on high-value strategic tasks. PMOs are highly regarded because they deliver value and continuously improve processes.

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Summary Findings

- » Most companies have a PMO (84%). Of the few that don't, half are looking to implement one within a year.
- » The value of PMOs is no longer seriously questioned.
- » PMOs are still strongly focused on performing program/project management functions, although a bit more than half are performing portfolio management functions as well.
- » PMO staff are highly experienced (avg. 10 years), but only 50% have PMPs.
- » More than half of PMOs use contracted resources to manage projects.
- » Resource management is the greatest challenge for PMOs. And the greatest resource management challenges revolve around decision-making: resource contention, conflicting authority, and competing priorities.
- » Half of PMOs have training programs in place.

PMOs track portfolio performance (72%) and 36% even participate in portfolio strategy formulation. The PMO is looked to as a resource for understanding how the company is doing: 67% manage a portfolio dashboard or scoreboard.

Another trend — the PMO's contributions are valued by executives; 64% say they have executive sponsors who appreciate their strategic value. For 83% of respondents, the value added by the PMO goes largely unquestioned, and among mature PMOs that figure rises to 94%. Of course, this trust has been hard-won. PMOs are highly regarded because they deliver value and continuously improve processes. Over a third of responding PMOs (34%) rate themselves at a maturity level of 3 or above, with 9% rating themselves at Levels 4 or 5; 61% say the PMO leadership displays business acumen in addition to project management expertise.

In our experience, not everyone measures business value. But of those in this research that do, 31% report a decrease in failed projects, 30% report projects delivered under budget; 21% report improvements in productivity; 19% report projects delivered ahead of schedule and 17% report cost savings ... an average of US\$567,000 per project.

As PMOs grow in maturity from Levels 1-2 to 3-5 (see page 10), more of them perform portfolio governance and oversight (73% compared to 48%) and portfolio performance monitoring (84% compared to 66%). These mature PMOs are rewarded with bigger budgets (twice the budget of the average Level 1-2 PMO). More project managers report to them, and they manage a higher-value portfolio of projects — worth 40% more on average than lower-level PMOs. By successfully managing these high-value tasks, they are entrusted with increased responsibility.

Mature PMOs also have more people, with more varied roles. Notably, they are 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.

PMO Value Benchmarks

PMOs contribute directly to the following performance improvements:

- | | |
|--|--|
| » Decrease in failed projects 31% | » Projects delivered ahead of schedule 19% |
| » Projects delivered under budget..... 30% | » Cost savings per project (% of total project cost) 17% |
| » Improvement in productivity 21% | » Increase in resource capacity 13% |
| » Cost savings per project US\$567,000 | |

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PMOs: In Training for the Future

One key piece of this improved capability and accountability is undoubtedly the amount of training that PMOs today engage in. More and more PMOs are responsible for training and development functions: 75% are responsible for PM coaching and mentoring, 64% manage project managers, 63% are responsible for PM training curriculum development and coordination, and 58% are responsible for providing the training. Mature PMOs are responsible for these functions to a significantly higher degree.

Over half of respondents (54%) have a training program in place; among mature PMOs, this figure is dramatically higher — 65%. The vast majority are training for basic skills, with over half also training for advanced skills and software skills (57% and 55%, respectively). Leadership and other soft skills training is on the rise: 86% are training in these areas.

Nevertheless, there is room for improvement; only half of PMO staffers are PMPs on average, and training averages only eight days per year. Only 59% meet the critical success factor of PMO staff having formal qualifications and hands-on experience.

Another area where improvement is called for is in measuring and developing project manager competency. While 65% report that they evaluate PM competency (77% in the higher-maturity PMOs), only 26% meet the critical success factor of having a formal process for developing competency. Again, far more of the mature PMOs (39% vs. 19%) have competency development processes.

Mature PMOs are training less in basics and software, and more in advanced skills and leadership ... getting ready for the next phase of PMO development. Far more of the mature PMOs meet

As PMOs mature, more of them perform portfolio management and training and development functions. By successfully managing these high-value tasks, they are entrusted with increased responsibility.

PMOs and Training

PMOs responsible for the following training activities:

» Have a project management training program in place.....	54%
» Evaluate the project management competency of project managers.....	65%
» Offer the following types of project management training	
Project management basics	84%
Advanced project manager skill development	57%
Project management software tool training	55%
Soft-skills training (e.g., teambuilding)	47%
Leadership training	39%
PMP preparation	33%
Project management certificate or degree program.....	12%

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Top 5 Priorities for the Next 12 Months

1

Improve resource planning and forecasting process

2

Implement/enhance core project/program management processes

3

Implement/enhance reporting, analytics, dashboard tools

4

Implement/enhance performance measurement process

5

Implement/enhance governance processes

the critical success factors of having formal PM qualifications and extensive knowledge and experience (77% to compared to 49% of the less-mature PMOs),

Over the next 12 months, a major priority for PMOs is to enhance core PM processes — with 59% planning to do this. Since they have already been training heavily in basic skills, and none of them report lacking technical skills, it may be that companies have been hard hit by job losses over the past two years and are now having to replace skills that were lost with layoffs. This conjecture is supported by some of the findings in the resource management portion of this research.

Resource Management: Still A Challenge

A top priority for 64% of PMOs over the next 12 months is to improve resource planning and forecasting. This is wise because, across the board, resource management continues to be the biggest challenge for PMOs, despite a marked increase in strategies designed to improve it. Fewer than half of PMOs engage in skills identification, capacity management, demand management or resource identification/selection; fewer than one third do resource risk assessment. Only 24% meet the critical success factor of having a resource management process for estimating and allocating resources optimally.

Companies are facing all sorts of resource management challenges. When asked to pick their greatest resource challenge, companies are all over the map, with no single issue drawing more than 14% of the vote (resource contention).

Whereas less-mature PMOs have many challenges, for the mature PMO, resource management stands out as the most significant problem area. Only 37% of mature PMOs have a resource management process for optimally estimating and allocating resources. Resource contention issues and conflicting authority are, by far, the greatest resource management challenges for mature PMOs.

As a resource management strategy, less-mature PMOs use contracted resources slightly more often than mature PMOs to manage projects and programs; but they use contractors nearly three times as often to manage PMO operations. This is a smart strategy for the less-mature PMO to bring its personnel and processes up to speed more quickly. And it's understandable since having inadequate project management skills is the top resource management challenge facing these less-mature PMOs.

Over half of PMOs plan to improve performance measurement this year, by implementing or enhancing reporting, analytics, tools and processes. Given that fewer than half reported having developed key performance indicators, this is doubtless another area where the PMO will need the assistance of contracted experts.

PMO Size, Scope, Complexity

- » PMOs are becoming commonplace: 84% of respondents have a PMO (compared to 74% in 2007) and of those that don't, half have plans to implement a PMO within a year. Mid-size and large companies are far more likely to have a PMO than small companies. Over 90% of large companies have PMOs. Professional services and manufacturing companies are less likely to have a PMO than finance, information, public administration, and healthcare companies.
- » Although PMOs are new to many companies, a majority have been in existence long enough to be getting traction: 35% of PMOs are 2 years old or younger (compared to 44% in 2007) and 32% are 5 years old or older (compared to 21% in 2007).
- » With an annual PMO budget averaging US\$500,000 and an annual project budget of US\$8 million, the PMO budget is 6.25% of the total project budget on average (median).
- » Most PMOs report to a Vice President or higher; 27% report directly to the C-level.
- » Companies are still split fairly equally on whether or not project managers report directly to the PMO. On average, half of the project managers in a company report directly to the PMO. In 18% of companies, no project managers report to the PMO, and in 22% of companies, all of the project managers report to the PMO.
- » PMO budgets increase with the size of the company (as does the number of projects).
- » PMOs in information companies are far more likely to be centers of excellence and not actually manage projects, while PMOs in healthcare companies are far more likely to manage their company's projects.
- » Mature PMOs have been around longer (5 yrs vs 3 yrs) and have bigger budgets (US\$1 million vs US\$.5 million).
- » Mature PMOs have a larger percentage of project managers reporting to them (50% vs. 40%) and are more likely to manage project managers and project planners/schedulers.



PMO Functions



- » In general, PMOs focus on project management functions, which makes sense. As in our 2007 survey, implementing PM standards and policies, monitoring performance, and coaching and training are the top functions performed by the PMO. And although more than half perform project portfolio management functions, the percentage of organizations that do so haven't increased since our 2007 survey.
- » Only half of the PMOs surveyed say they communicate the PMO's business value to business peers. And less than a third analyze and report on benefits realized.
- » PMOs in large companies are more likely to be responsible for PM training curriculum development and coordination as well as PM training delivery.
- » PMOs in large companies are more likely to perform performance measurement and positioning functions.
- » PMOs in large companies are far less likely to perform activity-based costing, calculating the total cost of PMO service (probably because it's more complex).
- » PMOs in large organizations are more likely to charge back their costs to the business units they're supporting.
- » Mature PMOs are far more likely to perform portfolio management functions.
- » Mature PMOs are far more likely to have developed PM career paths and PM training curriculum.
- » Mature PMOs are far more likely to engage in PM coaching and mentoring.
- » Mature PMOs are far more likely to monitor the performance of the PMO.

PMO Staffing

- » The size of PMOs has remained about the same since our 2007 survey. The average PMO has 7 people reporting to it (the range of PMO size is huge — from a single person to more than 500).
- » Although the PMO as center of excellence model is still found in many organizations, PMOs are becoming more and more responsible for managing projects and project managers. In this survey 72% of PMOs have project managers in their staff (up from 60% in the 2007 survey).
- » PMO staff are highly experienced. The staff in 83% of companies have 5 or more years of project management experience (up from 72% in the 2007 survey). And PMO staff with PMPs is up significantly — 40% compared to 27% in 2007.
- » Slightly more than half of the PMOs reported that they use contracted resources to manage projects/programs.
- » Resource management issues continue to challenge PMOs, especially resource contention, conflicting authority, and resource forecasting. They were all significant challenges in the 2007 survey and continue to rank at the top. One notable issue that increased since the last survey was inadequate project management skills. That and not having enough project managers, another top challenge, make effective resource management a key to the success of the PMO.
- » Average days of training the PMO staff has increased. PMOs provide 8 days of training for their staff (up from 5 days in the 2007 survey).
- » PMOs in large companies are more likely to manage project managers, and they are more likely to have larger staffs, especially in more specialized roles like project scheduler/planner, methodologist, and relationship manager. Their staff members are twice as likely to have PMPs.
- » PMOs in large companies are more likely to use contracted resources to manage projects/programs.
- » PMOs in large companies are more likely to have training programs in place than either small or mid-sized companies.
- » The PMO staff in healthcare companies is significantly larger than in other industries (average staff size: 12 vs. 7).
- » Mature PMOs are far more likely to be involved in evaluating the project management competency of project managers and they are more likely to have a project management training program in place.

The PMO in 2010 At a Glance

- » PMO Age: 3 years
- » PMO Budget: US\$500,000
- » PMO Budget as Percent of Overall Project Budget: 6.25%
- » PMO Staff Size: 7 people
- » Percentage of Project Managers that Report to the PMO: 50%
- » PMOs Using Contracted Resources: 56%
- » PMO Staff with PMPs: 50%
- » Project Management Experience of PMO Staff: 10 years
- » PMO Staff Training per Year: 8 days

All responses are median averages

Performance and Maturity



PMO Maturity Defined

- » Level 5: Best in Class
- » Level 4: Mature, very successful
- » Level 3: Grown up, more success than failures
- » Level 2: Established, in need of improvement
- » Level 1: Immature, ad hoc processes

- » PMO maturity is up. Average maturity is 2.3 (on a scale of 1-5), with 14% immature (26% in 2007), 52% established (34% in 2007), 25% grown up (30% in 2007), 8% mature (9% in 2007), and 1% best in class (1% in 2007).
- » PMOs have the most difficulty in meeting critical success factors around human resource issues. In particular, only 24% of PMOs have a resource management process for estimating and allocating resources optimally and only 26% of PMOs have a formal process for developing project manager competency.
- » PMOs demonstrate significant value. In particular, they've contributed a 31% decrease in failed projects on average, 30% of projects delivered under budget, a 21% improvement in productivity, 19% of projects delivered ahead of schedule, and cost savings of US\$567,000 per project.
- » Age doesn't always correlate with maturity. PMOs in large companies are more mature, even though the average age of PMOs is the same for all size companies.
- » The cost savings per project is considerably higher in large companies (the projects are larger with bigger budgets).
- » There's a direct correlation between the maturity of a company's PMO and the value it provides. More mature PMOs are far more likely to meet critical success factors. They also demonstrate significantly greater improvements in cost savings per project, decrease in failed projects, schedule and budget performance, and productivity.
- » Companies with PMOs have significantly more mature project management capability than those without. In fact 30% of companies without PMOs have only ad hoc processes (Level 1 project management maturity) while only 6% of companies with PMOs are still at Level 1 maturity.

Project management maturity at companies:	With a PMO	Without a PMO
» Level 1: Initial Process	6%	30%
» Level 2: Structured Process & Standards	46%	46%
» Level 3: Organizational Standards & Institutionalized Process	31%	13%
» Level 4: Managed Process	12%	11%
» Level 5: Optimizing Process	4%	0%

PMO Challenges

- » The value of the PMO has started to be accepted in most companies. Over 80% of organizations don't question the value of the PMO or only a few people in the organization question it. And only 3% of the companies surveyed had many people question the value of the PMO or consider shutting it down.
- » Not surprisingly, resource management is the number one challenge to the PMO. And assuring the consistent application of defined processes is still a significant challenge (number two in 2010 and number one in 2007). Slightly contradicting the answers to the question on whether or not the value of the PMO has been challenged is the fact that demonstrating the added value of the PMO is the fourth greatest challenge. Given that most PMOs don't measure their performance or the benefits realized, maybe this isn't surprising.
- » Several significant challenges to less mature PMOs disappear as they become more mature, including demonstrating the added value of the PMO, getting executive support, getting reliable and accurate information from project managers, and formally defining the PMO role.

Greatest PMO Challenges

- » Resource management (resource contention and resource forecasting)
- » Assuring the consistent application of defined processes

What's Next for the PMO

As we stated in our introduction, three factors play a major role in the current state of PMOs that will have significant impact on their future:

- » 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 gets more traction.
- » The increased role of the PMO in training is significant in the realization that project management skills are 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.
- » 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. Resource management is a significant challenge, even to the most mature PMOs, and will continue to be a focus for improvement for years to come.

About PM Solutions

PM Solutions is a project management firm helping organizations execute, govern, and measure their portfolios to improve business performance. We are the leader in applying project and portfolio management processes and practices to drive operational efficiency for our clients.

Founded in 1996 by J. Kent Crawford, PMP®, the former president and chair of the Project Management Institute (PMI®), PM Solutions delivers expert project management services to help organizations and its people perform to maximum potential. Our targeted offerings address business needs in the following areas:

- » Organizational Improvement
- » Project Execution
- » Learning & Development

Why PM Solutions

Our proven ability to deliver against business priorities ranging from organizational process improvements to the execution of mission-critical projects is why PM Solutions is trusted by top organizations around the world.

PM Solutions' experts have an extensive network of company-backed resources and assets to draw from when delivering solutions to our clients. Our research and benchmarking allows us to stay on the forefront of trends and be adaptive with new approaches that positively impact our clients across industries.

Our commitment to quality includes executive oversight on every engagement and unparalleled attentiveness to the relationship we forge with each of our clients.

Value Proposition

For PM Solutions, it's not enough to merely perform well and provide focused services. To build a trusted partnership with our clients, we have a vested interest in demonstrating that the services we provide actually improve our clients' business performance in measurable ways. We are proud to have helped lead initiatives for our clients that resulted in double-digit process maturity improvement, time-to-market acceleration enabling direct revenue growth, and on-time delivery of multi-million dollar programs for new manufacturing facilities, regulatory compliance, and data center consolidation, to name just a few.

For More Information

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