



The State of the Project Management Office (PMO)

2014

INTRODUCTION

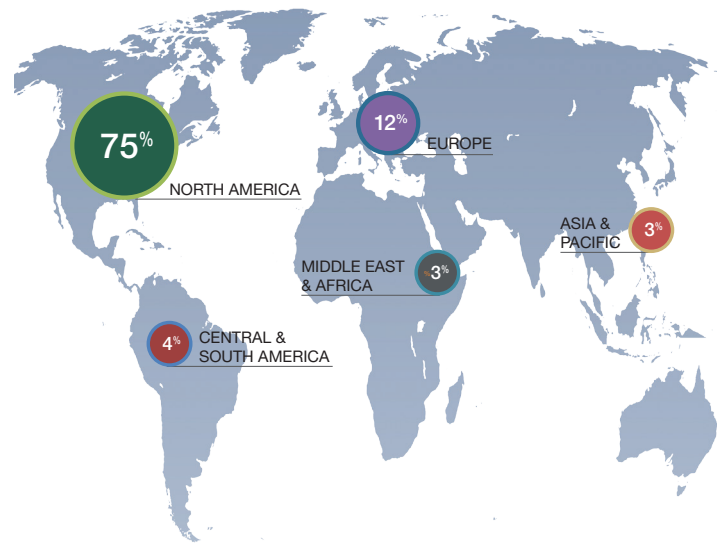
PM Solutions Research first surveyed organizations about their Project/Program Management Office (PMO) practices in 2000. In our latest survey, we've taken another look at the PMO, which has become the central organizational structure for standardizing the practices of companies in the delivery of their projects. This research will help us understand PMO trends pointing to solutions that will lead organizations to success in these complex, fast-changing times.



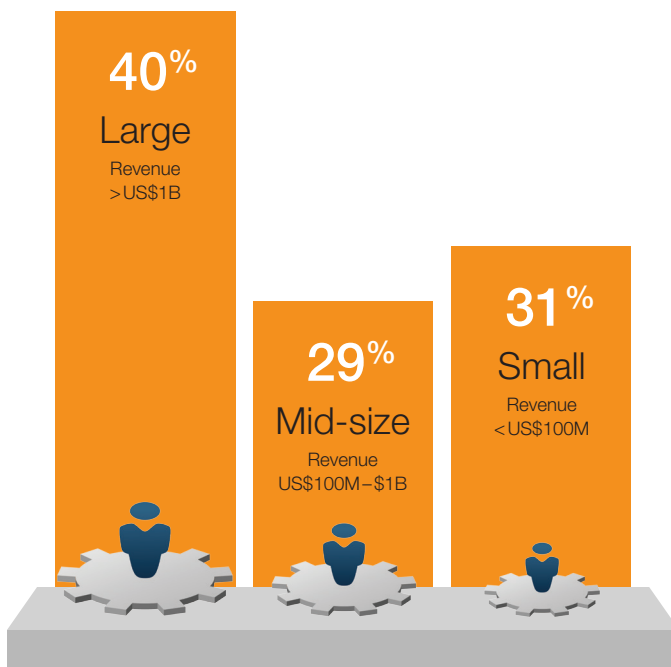
RESPONDENTS BY INDUSTRY



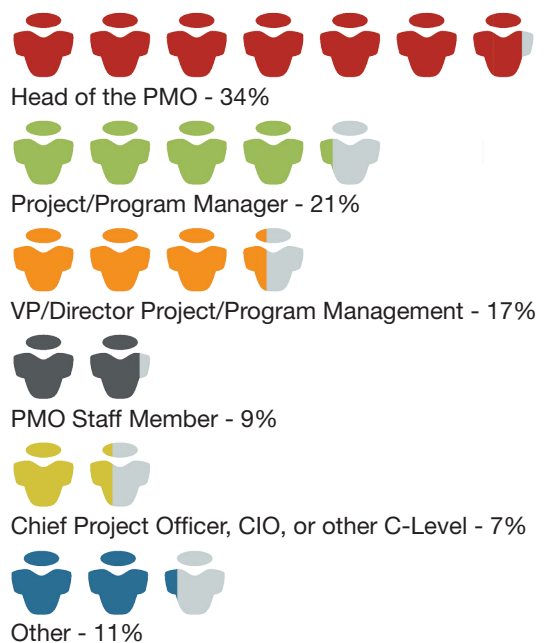
RESPONDENTS BY GEOGRAPHY



RESPONDENTS BY SIZE OF FIRM



RESPONDENTS BY TITLE



The State of the PMO

FOR OVER A DECADE, PM Solutions has been actively gathering data on PMO trends, where we've seen a steady climb in the prevalence and influence of the PMO. In our 2000 research on The Value of Project Management, only 47% of companies had a PMO. By 2014 that percentage has grown substantially, to 80% (90% in large firms), though we saw a small dip from 2012, driven primarily by a drop in the percentage of PMOs in small organizations.

It's clear that PMOs at the top of their game not only impact project management performance, but boost organizational performance as a whole. PMOs in high-performing organizations:

- » Score significantly higher on addressing the issues that matter most to executives, including alignment with business objectives and prioritizing projects effectively.
- » Are nearly twice as likely to engage in portfolio management functions.
- » Are more than twice as likely to practice resource optimization functions. They also manage more project managers and engage in more training activities.

The biggest challenges PMOs face are that they're seen as overhead and their organizations continue to be resistant to change. Successful PMOs realize that it's often not enough to just deliver value — they make the business value of the PMO known throughout the organization, consistently and often.

Bottom line: the PMO continues to be an organizational fixture that provides significant value to the business. By studying the functions and practices of PMOs in high-performing organizations you'll have a roadmap to guide you to improved PMO and organizational success.

PMO VALUE DELIVERED
45% Improvement in alignment of projects with firm's objectives

PMO VALUE DELIVERED
27% Decrease in failed projects

PMO VALUE DELIVERED
\$101k Cost savings per project (in US Dollars)

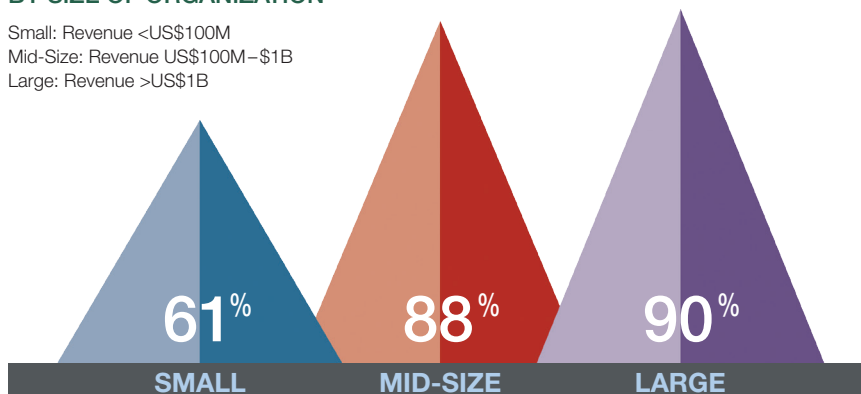
PERFORMANCE DEFINED

High-performing organizations are defined by the extent they realise their organizational goals. Respondents rated their companies on a score from 1 to 5, where 1=to no extent and 5=to a very great extent on how well they met eight measures of organizational performance: strategy execution, shareholder satisfaction, financial success, schedule/budget performance, customer satisfaction, resource allocation, strategic alignment, project prioritization. High performers rank in the top 25% in overall performance. Low performers rank in the bottom 25%.

PERCENTAGE OF FIRMS WITH PMOs

BY SIZE OF ORGANIZATION

Small: Revenue <US\$100M
 Mid-Size: Revenue US\$100M-\$1B
 Large: Revenue >US\$1B



SUMMARY FINDINGS

- » A majority of firms (80%) have a PMO in place.
- » PMOs are a strategic resource. Most report to a VP or higher; 43% directly to the C-level.
- » There is a direct and strong correlation between the age of the PMO and its capability.
- » PMOs in high-performing firms have significantly more project managers reporting to them than in low performing firms.
- » PMOs are performing more functions, especially portfolio management, but still focus on project management functions.
- » More than half of PMOs use contracted resources to manage projects/ programs.
- » PMOs in high-performing firms are far more likely to have a training program in place.
- » PMO staffs are highly experienced (10 years) and almost half (49%) have PMPs.

PMOs Become Strategic

The findings of this research describe an organizational entity that continues to expand its influence and be a strategic resource for firms. At the same time, companies of all sizes are now implementing PMOs, broadening the trend across the marketplace. Of the high-performing organizations in the study, 70% are large firms with over US\$100 million in revenues; 73% of the individuals responding to the survey are at the Director level or above in their organizations. Well over half of PMOs in high-performing organizations now report to the highest levels of executive management, with 76% reporting to an Executive Vice President or above.

As PMOs garner more attention at the executive level, their role in strategic functions increases. Since 2012, we have seen the percentage of PMOs that participate in strategic tasks increase: for example, overall the percentage participating in strategic planning has grown from 48% to 55%; in high performers it's 75%. And the percentage of PMOs engaging in portfolio management functions has increased significantly. At the same time, PMO leaders list "organizational resistance to change" and "PMO processes seen as overhead" as their top challenges; the top challenges for high-performing organizations is "having enough time/ resources to devote to strategic activities." We interpret this to mean that, with the business outlook just beginning to turn positive, companies have demanded more of their PMOs and PMO leaders have responded by an increased focus on improving organizational performance. PMO leaders in high-performing organizations realize the strategic value that they can add to their companies.

PMOs NEED TO COMMUNICATE THEIR VALUE

Now is the time for the PMO to prove its value, and PMO leaders are stepping up to the plate: respondents from high-performing organizations report saving their organizations an average of US\$186,000 per project and improving their alignment of projects with business objectives a whopping 53%. And more than 60% of these organizations actively communicate the value of project management and the PMO to their business peers.

PMOs in high-performing organizations continue to be trusted with high-value, strategic responsibilities: 77% participate in strategic planning and 87% focus on aligning projects with strategic objectives. They're active in portfolio management: 54% of them engage in portfolio management strategy formulation, compared to only 17% of PMOs in low performers. Part of their story is simply maturity, however; the median age of PMOs in high-performing organizations is five years (compared with three years for PMOs in low performers).

Performance and Capability

PMO CAPABILITY

- » PMOs in high-performing organizations rate much higher in PMO capability than those in low performers (2.9 vs 1.4)
- » PMOs have shown an increase in capability since our 2012 survey. In particular, a larger percentage of PMOs have reached Level 3 (Institutionalized) capability.
- » PMOs in healthcare organizations rate a lower level of capability than those in other industries.
- » External project focused PMOs rate higher in capability than internal focused PMOs on average, primarily because of the larger number of Level 4/Level 5 PMOs (15% vs. 6%).

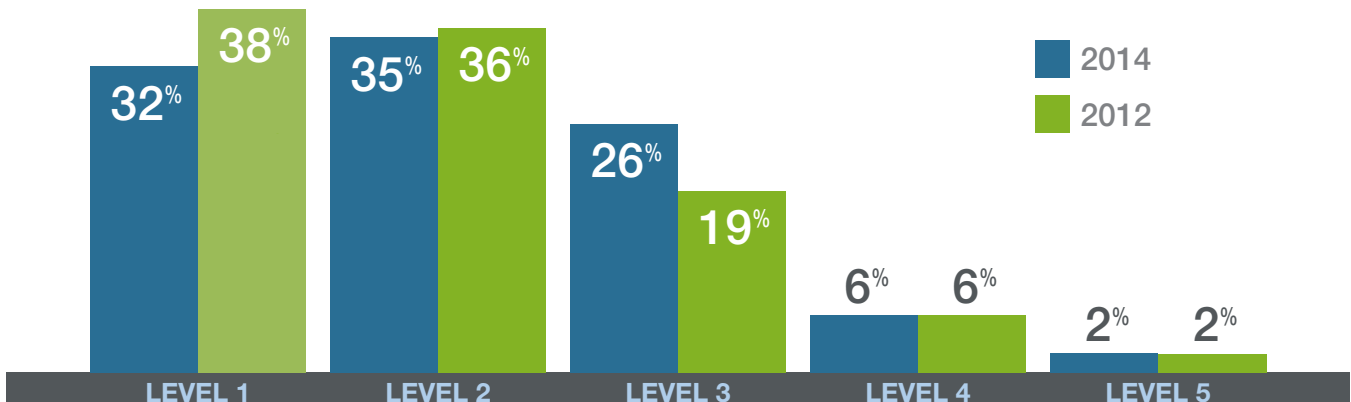
PMO VALUE DELIVERED

- » There is a direct correlation between the capability of the PMO and the value it has contributed to the organization over the past 12 months.
- » PMOs in high-performing organizations contributed a significantly higher percentage of value in all measures of performance.
- » Project managers in high-performing organizations are far more likely to report to the PMO and have access to more training than those in low-performing organizations.
- » The median age of PMOs in high-performing organizations is significantly higher than those in low-performing organizations (5 years vs. 3 years).
- » PMOs in high-performing organizations perform the following functions significantly more often than in low-performing organizations: alignment of projects with strategic objectives, portfolio governance and oversight, portfolio communications management, and portfolio risk management
- » In general, PMOs in small organizations contributed a higher percentage of value in most measures of performance than those in other industries.

PMO CAPABILITY DEFINED

- » **Level 5: Best in Class**
Continuous improvement processes-practices used enterprisewide
- » **Level 4: Strategic**
Standard portfolio management processes-practices used enterprisewide
- » **Level 3: Institutionalized**
Standard PM processes-practices used across the enterprise
- » **Level 2: Established**
Standard PM processes-practices used consistently
- » **Level 1: Basic**
Basic PM processes-practices used inconsistently

CAPABILITY OF PMOs: 2014 & 2012



Training for the Future

HIGH PERFORMERS EMPHASIZE TRAINING

PMOs have remained steady in their focus on training; 57% of PMOs are responsible for PM training delivery, with the vast majority focusing on training in PM basics. It's interesting to note, however, that a significantly higher percentage of PMOs in high-performing organizations are responsible for training — 70%. And these PMOs place much more emphasis on leadership and business alignment training and advanced PM skill development. We believe that this focus on a broader, deeper education in project management is part of the reason these organizations deliver more value.

Over the years, we have seen that more and more PMOs in high-performing organizations are becoming responsible for training and development functions, and this trend has not significantly slowed: 82% are responsible for PM coaching and mentoring, 73% manage project managers, and 72% are responsible for PM training curriculum development and coordination.

Also worth noting is that the average number of days of training per year (6 days) is up from 2012 (5 days).

The number of PMO staffers who are PMPs has increased somewhat, from 40% in 2012 to 45% this year. PMOs in high-performing organizations have a higher percentage of PMPs (51%). They are more likely to evaluate project manager competency and have an established career path in place for project management resources. This, along with their focus on higher-order skills, gives their companies a head start now that the improving economy calls for new major initiatives.

| DAYS OF PM TRAINING | | | | | | |
|---------------------|------|------|----|----|----|----|
| AVERAGE PER YEAR | | | | | | |
| S | M | T | W | T | F | S |
| | | | 1 | 2 | 3 | 4 |
| 5 | 2014 | | | | | |
| 12 | 13 | 14 | 15 | 16 | 17 | 18 |
| 19 | 20 | 2012 | | | | |
| 26 | 27 | 28 | 29 | 30 | 31 | |

PMOs OFFER VARIETY OF PROJECT MANAGEMENT TRAINING

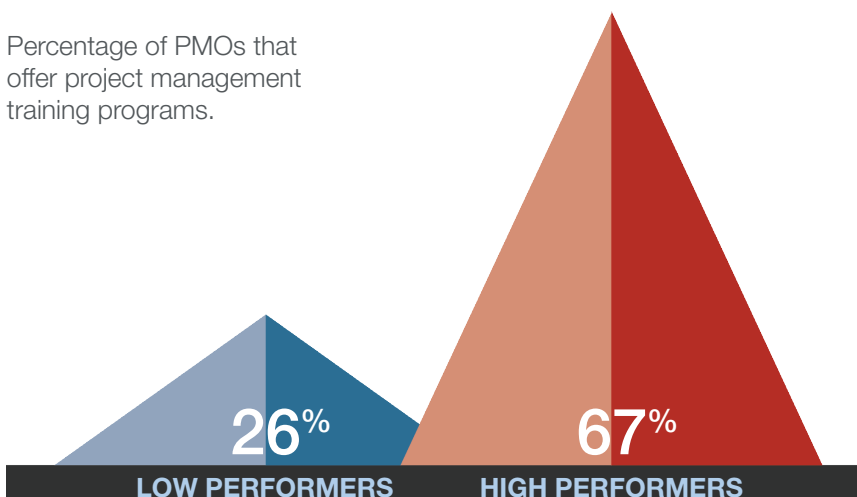


PMO Staffing & Development

- » The size of PMOs has remained about the same since our 2007 survey. The average PMO has 8 people reporting to it (up 1 from 2012) — the range of PMO size is huge, from a 1 to 300 people.
- » PMO staffs have considerable experience—10 years on average; and almost half (45%) have PMPs (up 5% from 2012).
- » More than half (59%) of PMOs use contracted resources to manage project/programs. And 19% use contracted resources to manage their PMO functions. IT PMOs are more likely to use contracted resources.
- » Almost half (49%) of PMOs have a project management training program in place. Organizations offer more advanced training than in 2012, particularly leadership training. PMOs in high performing organizations are far more likely to have a training program in place than low performers (67% vs 26%).
- » Onsite classroom-based training is by far the most often used delivery format. The majority of PMOs (85%) offer onsite classroom-based training, and a significant number (52%) of them rely on external trainers to teach these onsite classes.
- » The average number of days of training per year (6 days) is up slightly from 2012 (5 days). External-project-focused organizations offer twice as many days of training as internal-project-focused organizations (10 days vs. 5 days).
- » There's a direct correlation between the capability of the PMO and whether they have established PM career paths and offer PM training. And PMOs in high-performing organizations are much more likely to have established PM career paths, offer PM training, and evaluate the competency of project managers than PMOs in low performers.

HIGH PERFORMERS MORE LIKELY TO HAVE TRAINING PROGRAMS

Percentage of PMOs that offer project management training programs.

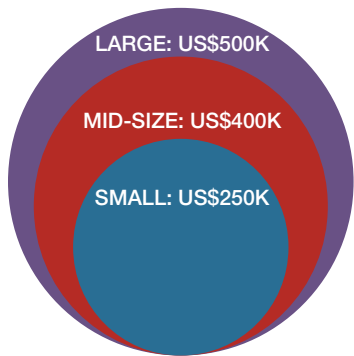


THE PMO IN 2014 AT A GLANCE

- » PMO Age: 4 years
- » PMO Budget: US\$800K
- » PMO Budget as a Percent of Overall Project Budget: 4.4%
- » Number of Projects/Year the PMO Works On: 60
- » PMO Staff Size: 8
- » Percentage of Project Managers that Report to the PMO: 49%
- » PMOs Using Contracted Resources to Manage Projects/Programs: 59%
- » PMOs Using Contracted Resources to Manage the PMO: 19%
- » PMO Staff with PMPs: 45%
- » Project Management Experience of PMO Staff: 10 years
- » PMO Staff Training per Year: 6 days
- » PMOs with a PM Career Path Established: 46%
- » PMOs with PM Training Program in Place: 49%
- » PMOs Using the PMBOK® Guide: 73%

All responses are median averages

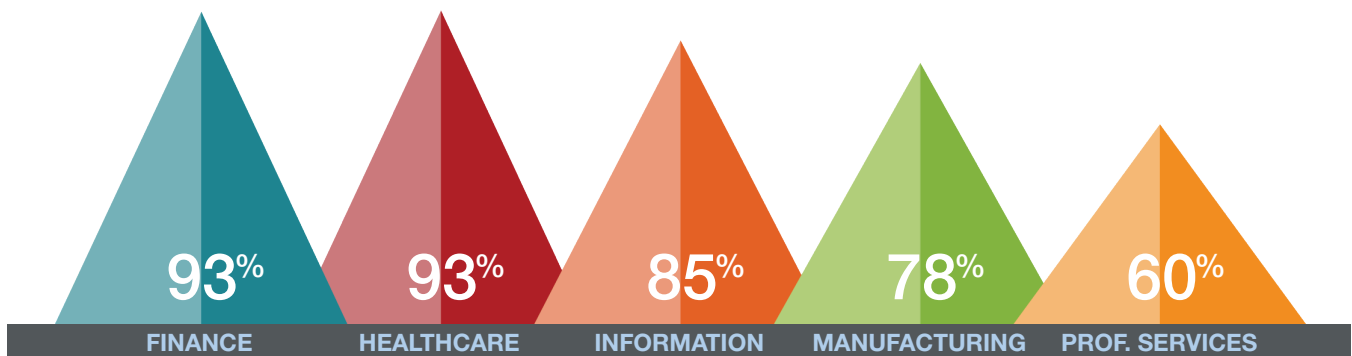
PMO Size, Scope, Complexity



AVERAGE BUDGET PER PROJECT BY SIZE OF ORGANIZATION

- » PMOs are fairly commonplace: 80% of respondents have a PMO. And 30% of those without a PMO plan to implement one within the next year. Mid-size (88%) and large (90%) companies are far more likely to have a PMO than small companies (61%). Professional services (60%) and manufacturing (78%) are less likely to have a PMO than organizations in other industries (see chart below).
- » PMOs continue to survive despite their ever-changing business environments. The average PMO is 4 years old, with 47% of them 5 years old and older (up from 34% in 2012). Most importantly, there is a direct and strong correlation between the age of the PMO and its capability and the organization's performance.
- » The budget per project has gone up from 2012 (from \$300K to \$430K), but the number of projects an organization works on per year has gone down (from 70 to 60). Professional services firms work on significantly fewer projects than firms in other industries, and they have the lowest budget per project. Although external-project-focused PMOs work on fewer projects per year (50) than internal-project-focused firms (75), they have a significantly higher budget per project on average (\$500K vs. \$350K).
- » With an annual PMO budget averaging US\$800,000 and an annual project budget of US\$18 million, the PMO budget is 4.4% of the total project budget on average.
- » Most PMOs report to a VP or higher; 43% directly to the C-level.
- » The percentage of project managers who report to the PMO has gone up since 2012 (from 42% to 49%). There's a direct correlation between the percentage of project managers who report to the PMO and the PMO's capability. More importantly, PMOs in high-performing organizations have significantly more project managers reporting to them than PMOs in low-performing orgs (63% vs. 36%). In 26% of organizations, 100% of project managers report to the PMO.
- » Most PMOs are internal project focused (they're a cost center). Small companies and professional services companies are more likely to be external project focused.

PERCENTAGE OF FIRMS WITH A PMO, BY INDUSTRY



PMO Functions

- » In general, PMOs focus on project management functions, which makes sense. As in our previous PMO surveys, implementing PM standards and policies, monitoring performance, and coaching and mentoring are the top functions performed by the PMO.
- » In general, PMOs are performing more functions overall compared to our 2012 survey, especially portfolio management functions.
- » A majority of PMOs do not engage in resource management functions, including resource forecasting, capacity management, demand management, and resource management process implementation.
- » Fewer than half (45%) of PMOs communicate their business value to business peers. Even fewer (40%) communicate the business value of project management.
- » PMOs in high-performing organizations engage in more functions than those in low-performing orgs. In particular, these PMOs are much more likely to engage in aligning projects with strategic objectives, portfolio governance and oversight, portfolio communications management, and portfolio risk management.
- » Small organizations are more likely than large and mid-size orgs to be involved in business plan administration and less likely to engage in governance process, project policies, procedures, and template implementation/management.
- » PMOs in finance firms are much more likely to perform portfolio management functions. Fewer PMOs in manufacturing firms perform project/program management functions. PMOs in healthcare organizations are much more likely to engage in managing project managers and less likely to formulate portfolio management strategy. PMOs in professional services organizations are much more likely to engage in organizational change management, portfolio risk management, skills identification, and business plan administration. And PMOs in information organizations are less likely to align projects with strategic objectives or formulate portfolio management strategies.
- » Enterprise PMOs are more likely to engage in organizational strategic planning and aligning projects with strategic objectives than line of business and IT PMOs.
- » Internal-project-focused PMOs are more likely to engage in the following functions than external-project-focused PMOs: portfolio governance and oversight, project interdependency management, and communicating the PMO's business value to peers. External-project-focused organizations are more likely to engage in portfolio risk management, performance measures development, and project manager training results measurement.

TOP 10 PMO FUNCTIONS

- » Project/program monitoring and controlling
- » PM methodology, standards implementation/management
- » Project policies, procedures, templates implementation/management
- » PM coaching and mentoring
- » Project/program initiation
- » Project/program planning
- » Project/program closing
- » Multi-project coordination
- » Portfolio tracking (performance monitoring)
- » Alignment of projects with strategic objectives

TOP 5 PMO CHALLENGES

| | |
|---|--|
| 1 | Organizational resistance to change — 51% |
| 2 | PMO processes seen as overhead — 47% |
| 3 | Having enough time/resources to devote to strategic activities — 45% |
| 4 | Demonstrating the added value of the PMO — 43% |
| 5 | Inadequate resource management capability — 43% |

PMO Challenges

- » The challenges seen by the largest number of organizations are organizational resistance to change, PMO processes seen as overhead, and having enough time/resources to devote to strategic activities.
- » PMOs in high-performing organizations face far fewer challenges than PMOs in low-performing orgs, especially in getting executive support and in having project managers with inadequate skills.
- » In general, the greater the capability of an organization's PMO, the fewer challenges it faces.
- » PMOs from healthcare organizations face significantly more challenges than those from other industries, probably due to their reported lower capability.
- » IT PMOs face far more challenges than enterprise or line of business PMOs, particularly inadequate resource management capability.
- » Internal-project-focused organizations face more challenges than external-project-focused organizations. In particular significantly more of them find having an inadequate resource management capability a challenge.
- » The percentage of PMOs whose value has been seriously questioned by many in the organization, including possibly closing it, is up from 2012 (12% vs. 7%), showing the challenges that PMOs faced given the sluggish economic environment over the past two years.
- » Questioning the value of the PMO, including possibly closing the it, is highest in small organizations (18%), professional services organizations (16%), line of business PMOs (16%), and external-project-focused organizations (18%).
- » Almost no PMOs in high-performing organizations (1%) have many people in their organizations questioning the PMO's value; 26% of PMOs in low-performing orgs, however, are questioned by many in their organizations.

TOP 5 PMO PRIORITIES OVER THE NEXT 12 MONTHS

| | |
|---|---|
| 1 | Implement resource planning and forecasting process — 58% |
| 2 | Implement/enhance reporting, analytics, dashboard tools — 57% |
| 3 | Implement/enhance core PM processes — 57% |
| 4 | Implement/enhance portfolio management process — 55% |
| 5 | Implement/enhance governance process — 54% |

The Outlook for PMOs

What does the future hold? Based on the trends identified by comparing the 2014 results with previous years and looking at the differences between PMOs in high-performing organizations and low performers, PM Solutions Research projects that:

- » PMOs will morph into what we call the disruptive PMO. With organizations demanding increasing value, PMOs will need to focus more and more on strategy, innovation, agility, and stakeholder engagement. And, in particular, developing expertise in organizational change management will be essential to their success.
- » PMO leaders will continue to build better relationships with executive management by refining the value proposition of the PMO and demonstrating strategic business results.
- » PM training will remain steady, with PMOs continuing their focus on project management basics but offering more advanced leadership and business alignment training.
- » More and more PMOs will add portfolio management functions to their arsenal of practices, participating actively in their organization's strategic initiatives, not only in their delivery but in their planning as well.
- » The percentage of project managers who report to the PMO will continue to increase, leading to a more consistent and effective application of project and program management best practices.
- » PMOs will continue to address resource management challenges, which have plagued PMOs since we've been researching them.

PMO VALUE DELIVERED

31% Improvement in customer satisfaction

PMO VALUE DELIVERED

28% Improvement in projects delivered under budget

PMO VALUE DELIVERED

18% Improvement in productivity



About PM Solutions

PM Solutions is a project management services firm helping organizations apply project management and PMO practices 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 solutions and services to help organizations and their people perform to maximum potential. Comprehensive offerings include:

- » PMO transformation
- » Project portfolio management process improvement
- » Program and project management resources
- » Corporate training and competency development delivered through our training division, PM College®

PM Solutions' PMO Practice

For nearly 20 years, PM Solutions has been well-known as a leader in PMO design and practice, bringing its clients the expertise and tools needed to help create and sustain a value-driven PMO. We regularly work with clients to deploy a new PMO, operate a PMO, or optimize and enhance an existing PMO to meet a set of evolving challenges, functions, and services. Our processes are scalable and fit PMOs at any level of the organization (enterprise, divisional, departmental, etc.) at any level of PMO maturity.

PM Solutions' highly experienced consultants (15 years on average) have deployed and actively managed PMOs for both commercial and government organizations. We've worked in most industries, including manufacturing, IT, financial services, and healthcare.

PMO structure and process are only part of the overall picture. It takes people to adapt to the cultural shifts that result and embrace PMO operations. Because we have our own training division, the PM College, we incorporate training, professional development, mentoring, and coaching, which are integral parts of making a PMO "stick" and become a valued organizational entity to the business.

For More Information

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