

The State of the PMO

2007 - 2008



A BENCHMARK OF
CURRENT BEST PRACTICES

PMOs: Growth and Expansion

Over the past decade, the Center for Business Practices has been involved in gathering data on project management trends from survey research, literature research and from action research such as our Project Management Benchmarking Forums. In that time, we have seen a steady vertical climb in the indicators of organizational influence for project managers and project management. Nowhere is this increased influence more notable than in tracking the prevalence and roles of the Project Management Office.

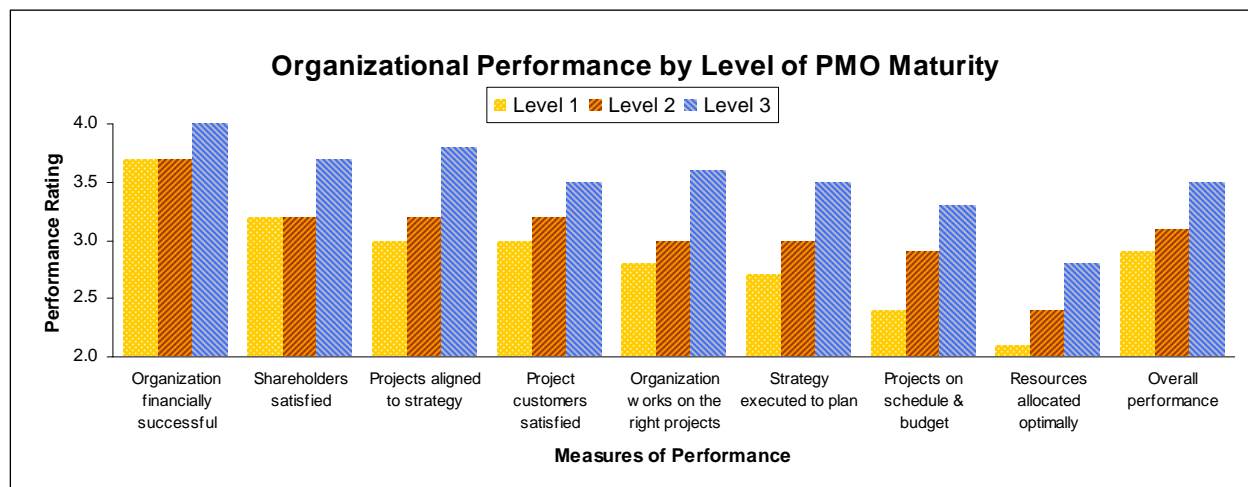
For example, in our 2000 *Value of Project Management* study, only 47% of the respondents had implemented a project office of any type. By 2006, 77% of the respondents to our *Project Management: The State of the Industry* survey had implemented PMOs; of those, 35% had an enterprise-level (or “strategic”) PMO. This year, 54% of the respondents reported having an enterprise-level PMO in place. Even factoring in the differing research objectives of these studies, the upward trend is unmistakable, both in sheer numbers of PMOs and in the rising organizational clout.

Yet questions remain. Top project management leaders in many companies are still struggling with verifying the value of their PMOs. The results from this study suggest that merely implementing a PMO is not a panacea. Instead, it is PMO *maturity* that makes a difference to the organization. As PMOs become more mature, our data suggests, organizational success metrics improve. In addition, the mature PMO takes on more roles—in both portfolio management and people management, thus elevating its value to the organization.

Key Findings

PMO Maturity

PMO Maturity is rated on a scale from Level 1 to 5 (immature, established, grown up, mature, best in class)



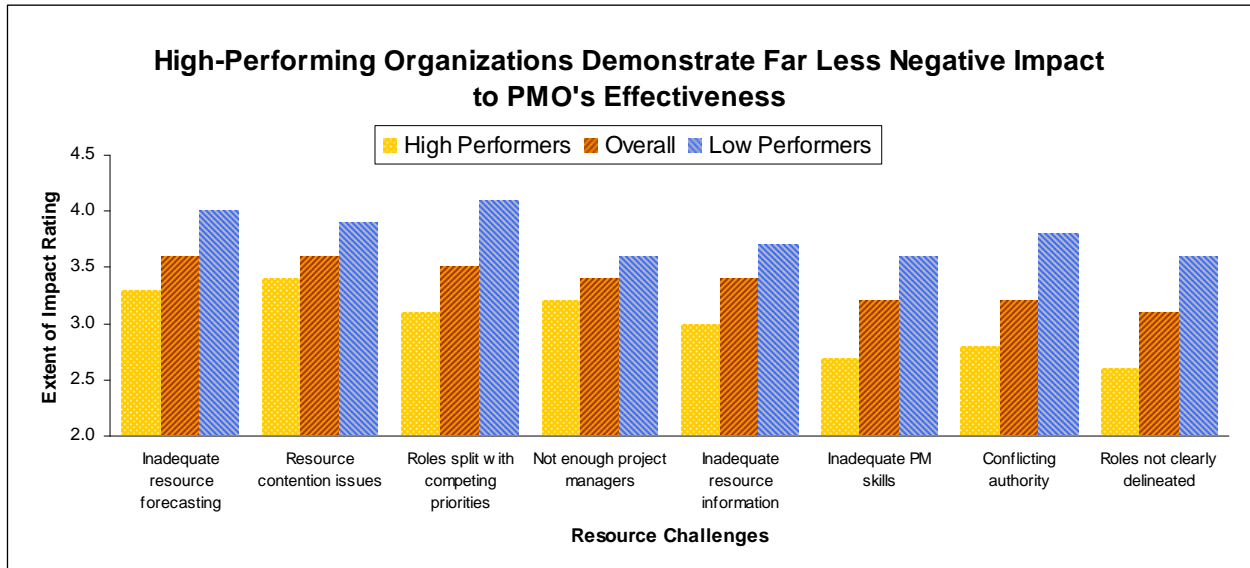
- There is a strong correlation between organizational performance and the maturity of PMOs. Mature PMOs show significant improvement in organizational performance. “Performance improvement” is defined as rating higher on a scale of 1-5 on how well the organization performs in the eight measures of performance listed in the chart above (only Levels 1-3 are listed because too few Level 4-5 PMOs responded to draw accurate conclusions).
- There is a strong correlation between Level of PMO maturity and organizational performance. Organizations with PMOs show significant improvement at each Level of PMO maturity.
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 - 6.2% overall performance improvement from PMO Level 1 to Level 2
 - 14.6% overall performance improvement from PMO Level 2 to Level 3
 - 10.5% overall performance improvement from PMO Level 3 to Level 4
- Just having a PMO does not lead to performance improvement. It isn't until the PMO becomes more mature that improvement occurs, but that improvement is steady and significant.
 - Organizations with PMOs at Level 2 maturity and higher show 3% overall performance improvement compared to those organizations with No PMO
 - Organizations with PMOs at Level 3 maturity and higher show 11% overall performance improvement compared to those organizations with No PMO
 - Organizations with PMOs at Level 2 maturity and higher show 8% budget/schedule performance improvement compared to those organizations with No PMO
 - Organizations with PMOs at Level 3 maturity and higher show 16% budget/schedule performance improvement compared to those organizations with No PMO
- As PMOs mature, they are significantly better at meeting critical success factors, including having effective sponsorship, accountability, competent staff, quality leadership, and demonstrated value
- As PMOs mature, they have significantly fewer challenges, including stakeholder acceptance, appropriate funding, demonstration of value, role clarification, conflicting authority, and consistent application of processes
- As PMOs mature, they are more likely to staff professional planners, schedulers, and controllers.
 - Level 2 PMOs have 14% more planners, schedulers, and controllers than Level 1 PMOs
 - Level 3 PMOs have 24% more planners, schedulers, and controllers than Level 2 PMOs
 - Level 4 PMOs have 70% more planners, schedulers, and controllers than Level 3 PMOs

High-Performing Organizations vs. Low-Performing Organizations

High-performing organizations rank in the top 25% in overall organizational performance based on ratings in 8 measures of performance (strategy execution, shareholder satisfaction, customer satisfaction, budget/schedule performance, financial performance, resource allocation, strategic alignment, portfolio performance). Low-performing organizations rank in the bottom 25%. See "On Performance and Value" p. 43.

- High-performing organizations are more likely to have an enterprise PMO (65.8% of high-performing organizations have EPMOs compared to only 48.6% of low performing organizations)
- PMOs have been in place 29% longer in high-performing organizations (4.5 years) than in low-performing organizations (3.5 years)
- High-performing organizations are 30% more likely to have steering committees (64.9%) than low-performing organizations (52.1%)
- PMO functions performed significantly more by high-performing organizations include strategy formulation, portfolio risk management, benefits realization analysis, contract preparation, outsourcing, project opportunity process development, resource assignment process development, management of a staff of project planners/controllers and business relationship managers, and resource identification and optimization.



- Low-performing organizations are impacted significantly more by challenges than high-performing organizations, including conflicting authority (36% more), role splitting with competing authority (31% more), roles not clearly delineated (42% more), lack of a project management career path (24% more), inadequate opportunities for professional development (25% more), and inadequate project management skills (31%). The respondents were asked to rate the impact of the resource challenges listed in the chart above on their PMOs on a scale of 1 (not at all) to 5 (to a great extent).
- High-performing organizations outsource 135% more often than low performing organizations.
- High-performing organizations evaluate project manager and team competency significantly more often than low performing organizations.
- There is no correlation between project managers reporting to the PMO (as opposed to them just being supported by the PMO) and organizational performance.
- High-performing organizations have larger PMOs (30% more staff) and rely on more specialized roles (they have more staff performing those roles), including mentors (136% increase), team leads (467% increase), planners (147% increase), controllers (116% increase) and relationship managers (698% increase).
- PMOs at high-performing organizations are 66% more mature than at low performing organizations (average level of maturity is 2.9 vs. 1.7)

General Observations

- Organizations average (median) 31 projects per year. Organizations with a PMO work on more projects per year (38) than those without a PMO (18).
- PMO budgets range from 0 to \$50 million a year (with a median average of \$600,000). The PMO budget is on average, 1.7% of the organization's budget (median).

- The average PMO has 8.0 people reporting to it (the range of PMO size is huge—from a single person to more than 100). Also, older PMOs have significantly more staff (those 5+ years old average 16.5 staff vs. 8.0 overall).
- Fully 70% of PMOs have training goals for their staff. And PMOs in high-performing organizations are far more likely than those in low-performing organizations to have training goals (79.7% vs. 60.6%).
- The top two issues PMOs struggle with are forecasting the need for resources and resolving resource conflicts.
- Governance issues top the list of PMO challenges: companies lack the compliance structure to make project management processes consistent throughout the organization, and project leaders still labor under conditions where responsibility and authority are not allied. But as PMOs age and mature, they have fewer challenges and are significantly better at meeting all challenges listed.

Note:

The Center for Business Practices is now PM Solutions Research