



White Paper

Resource Management and the PMO

Three Strategies for Addressing Your Biggest Challenge

More than ever, the saying “people are your greatest asset” rings true. While human resources were once merely a cost, today they are “human capital” — capital that must be invested and managed wisely.

Resource Management and the PMO

Proper management of the skills and schedules of the workforce is the essence of today's knowledge-intensive enterprise. How can you obtain, structure, and analyze your resource management information? What proven practices will enable you to use your talent effectively and streamline resource deployment?

Resource Management Challenges

Resource management challenges are the top issues facing organizations today, according to PM Solutions Research. This finding first surfaced in studies conducted on other topics in 2006–2007, as well as during roundtable discussions at our Benchmarking Forums 2002–2009.¹ The “Top Ten” resource management challenges identified appear on page five. Since then, resource management has proved to be a persistent area of concern. In the 2012 *State of the PMO* survey, resource management is still among the top five biggest challenges for responding companies.

Because resource shortages and conflicts can plague your ability to deliver, understanding the resource capacity and skill sets that exist within your organization give you the ability to balance demand and apply the right resources at the right time. This ability can make the difference between successfully executing strategy and failing — failing to meet deadlines, deliver products and services with the desired quality, or serve the interests of shareholders and stakeholders.

In fact, further research has shown that there is a strong correlation between the level of resource management maturity and overall organizational performance (see Exhibit 1).²

Top 10 Resource Management Challenges

- 1
Resource capacity planning is poor
- 2
Resource risks are not assessed
- 3
Not enough appropriately skilled resources
- 4
Resource use is not optimized
- 5
Schedules/deadlines are unrealistic
- 6
Resources are assigned inconsistently
- 7
Too many unplanned requests for resources
- 8
Resource utilization is poorly documented
- 9
Shifting resources to respond to problems
- 10
Transition process for resources is inadequate

Source: *Resource Management Challenges: A Benchmark of Current Business Practices*. Center for Business Practices 2009.

That's the good news. The bad news is that resource management maturity is low in organizations. 74.4% of organizations are at maturity level 1 or 2 according to this study. Organizations experience significant challenges in all components of resource management, but particularly in resource planning and estimating; they even fail to practice many of the resource management standards noted by the Project Management Institute. To compound the problem, there is a significant disconnect between decision makers who assume that there are enough resources for all projects when there often are not. In fact, analyzing the factors that set the worst performers (those who scored lowest on the eight performance measures shown in Exhibit 1) apart, we find that the problems challenging them are signs that a good, basic project management culture has not been established:

- » Too many unplanned requests
- » Unrealistic schedules and budgets
- » Scope creep
- » Too many pet projects jumping the queue
- » Poorly defined deliverables.

This lack of understanding of and support for project management basics is almost certainly the reason that the one step many companies rely on to improve their resource management capabilities — that of implementing related software tools — often proves to be a disappointment. Almost half (47.9%) of all organizations use automated information systems to assist in resource management functions; but those who do are lukewarm in their description of the value of those systems. Of those who used these systems, almost half (47.3%) thought they did not accurately calculate resource forecasts. More than half (55.0%) said their managers did not use the systems consistently or effectively.

If implementing tools alone won't address resource management problems, what strategies can companies pursue to improve resource management and business results?

Organizational Characteristics of High-Performing Companies

The high-performing organizations in the *Resource Management Challenges* study — those that score in the top 25 percentile on the eight performance measures shown in Exhibit 1 — are at a significantly higher level of resource management maturity than low-performing organizations. But it isn't simply a matter of consistently practicing the resource management standards (see sidebar, page 8) that makes the difference. Successful organizations also display some structural and process characteristics that support good resource management. These characteristics include:

- » The organization has a strong, effective project management office (PMO)
- » Effective portfolio reporting capability exists
- » Resources understand project management practices
- » Stakeholder roles/responsibilities are clearly defined.

Let's examine how companies can quickly move towards modeling these four key characteristics.

The Role of the PMO in Improving Resource Management

The first organizational characteristic on the above list sets the stage. Our research has shown that organizations with mature Project Management Offices (PMOs) are able to address a wide range of business problems more effectively, from executing corporate strategy and implementing project management methodology; to managing the project portfolio and balancing resources across a wide range of competing initiatives. In fact, in order to get a firm handle on the data and practices that can improve resource management, the PMO is essential.

Of the key roles identified by Gartner, Inc., for a PMO, four specifically address issues central to Resource Management:

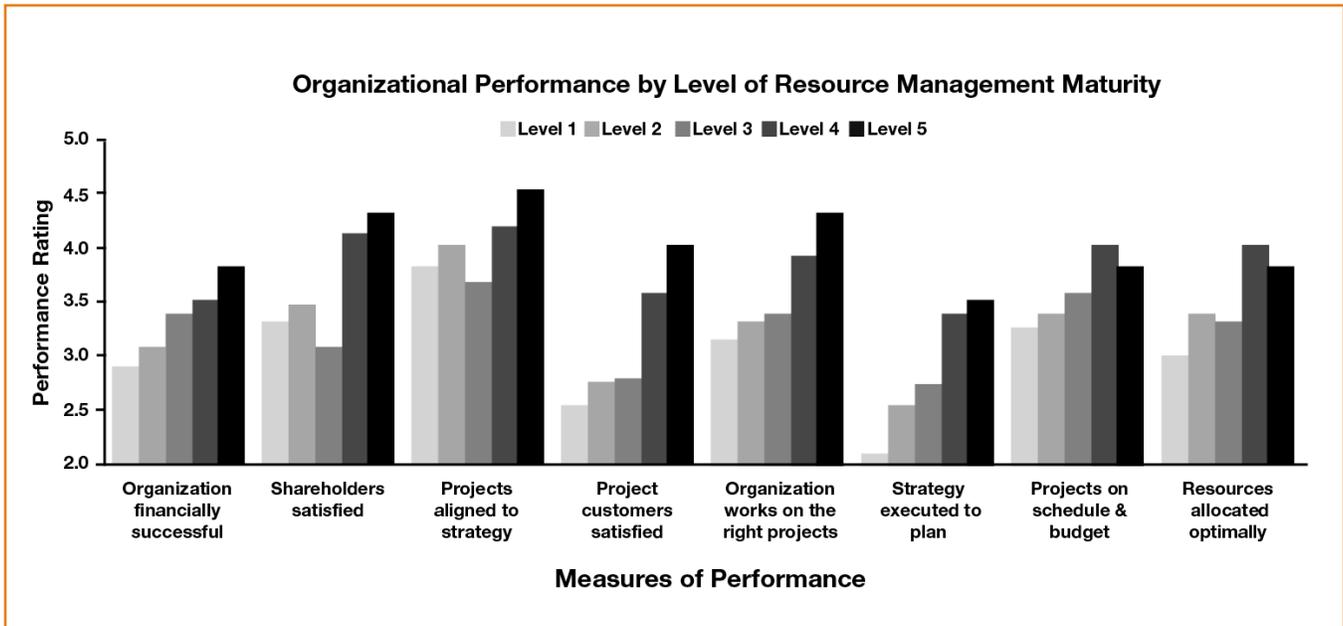


Exhibit 1. As organizations mature their resource management practices, overall organizational performance also improves. The above chart illustrates that organizations at levels 4 and 5 in resource management maturity scored a much higher performance rating on all eight organizational performance measures used in the study. Source: *Resource Management Challenges: A Benchmark of Current Business Practices*. Center for Business Practices, 2009.

- » **Developer, documenter, and repository of a standard methodology:** a consistent set of tools and processes for projects
- » **Resource evaluator:** based on experience from previous projects, the PMO can validate business assumptions about projects as to people, costs, and time and can also serve as a source of information on cross-functional project resource conflicts or synergies
- » **A competency center:** providing mentoring and training across the organization
- » **Project management consulting center:** providing a seat of governing responsibility for project management; and perhaps staffing projects with project managers or deploying them as consultants.³

The correlation between deploying these aspects of a PMO and their effect on business performance has been validated in our biennial State of the PMO reports, 2008–2012. Findings have shown that mature

PMOs that exercised authority over a wide range of resource issues were associated with improved organizational performance.⁴

There are three strategies that particularly affect resource management where the PMO can take the lead:

- » **Strategy #1:** Resource management within the PMO
- » **Strategy #2:** Project portfolio management, which supports resource management maturity
- » **Strategy #3:** Standardizing project management culture and results through training and methodology.

Strategy #1: Resource Management within the PMO

What organizational structure and staffing mix supports best-practice resource management? Increasingly, according to the State of the PMO studies, top-performing organizations have mature enterprise-level PMOs

that pull in a number of roles and responsibilities related to human resource management. For instance, the PMOs identified as “best in class” in the 2012 study are far more likely to perform capacity management, resource forecasting, and resource risk assessment and are far more likely to perform capacity management, resource forecasting, and resource risk assessment. They also more frequently manage a staff of project planners and controllers within the PMO and manage their own training, professional development, and performance evaluations.⁴

In the recent past, it was rare for PMOs to maintain and manage their own project management staff. However, since 2007 we have seen a significant trend in this direction. It’s only logical that, as organizations move further and further away from the functional organization and ad hoc projects, project expertise becomes more centralized. Today, the most successful organizations are those with enterprise PMOs that manage a staff of project managers and project support roles. In fact, organizations identified by the *State of the PMO* study as best in class have larger PMOs, with more staff performing specialized roles, such as mentors, team leads, planners, controllers and relationship managers.

By concentrating project management resources within the PMO, an organization is able to achieve four goals critical to mastering resource management:

1. Assess the competency of project managers (100% of best-in-class PMOs perform competency assessment)⁵
2. Build professional development programs
3. Develop realistic role descriptions that spell out responsibilities
4. Assess organizational capacity.

Assess the Competency of Project Managers

Defining competencies for critical jobs helps a company identify criteria that can be used to assess employees for recruitment, in performance appraisal, and in making professional development choices. In truly competence-driven organizations, pay and other rewards are also linked to competency, as are training opportunities and other forms of professional development, so that:

- » Project managers are appropriately recruited
- » Project manager training is more effective
- » Projects are managed at a higher level of quality
- » Projects are delivered on time and within budget
- » Project failure rates decline.

Resource management is only one of the project management competencies that poor project managers struggle with on a daily basis. Elevating the capabilities of project managers resolves a host of project problems, including resource challenges.

Build Professional Development Programs

As a center for the development of expertise, the PMO makes possible a systematic, integrated professional development path and ties training to real project needs as well as rewarding project teams in ways that reflect and reinforce success on projects. This is quite different from the reward and training systems presently in place in most organizations, which tend to focus on functional areas and ignore project work in evaluation, training, and rewards.

When the PMO takes charge of developing professional, proactive managers, the process includes training, but begins with identifying project manager competencies, hiring for or identifying those competencies in-house, creating performance metrics that reward project managers for the right behaviors, and creating a career path to attract and keep the best project performers.

The entire organization should view the PMO as a source of experts with focused ability in project management. When another department in the enterprise wants to manage a project themselves, the PMO can provide expert assistance in the form of mentoring and coaching for the staff involved. When a project needs additional oversight, a PMO mentor can help develop new estimates, resource reallocations, and replanning. This also provides an audit function for existing projects to determine how effectively the project management process is being utilized within the organization.⁶

Develop Realistic Role Descriptions that Spell Out Responsibilities

Job descriptions have a dual purpose: They both describe the ideal candidate for the job (and can be used as a checklist when considering internal hires or seeking external candidates) and they assist the person fulfilling the role in keeping focused on the right areas, in knowing when to say no, and in understanding how their job fits into the larger picture of the organization. This information can also assist project participants in identifying their own personal professional development needs, in relation to the knowledge, skills, and competencies required for their project role(s). One of the most pressing human resource problems facing project organizations today is the difficulty of communicating about the work that needs to be done due to a lack of consensus on the names, descriptions, or required backgrounds of jobs in project management.

Commonality in the language surrounding staffing projects helps avoid wasting the talents and time of precious human resources, by putting the right people in the right positions.⁷

Resource Management Maturity: Some Standard Practices

- » Project plans include resource breakdown structures
- » All projects have a staffing management plan that describes when and how human resource requirements will be met
- » Resource risk is considered in developing a risk management plan
- » When resources are assigned and resource over-allocations exist, resource leveling is used
- » When necessary, changes in resource requirements lead to appropriate adjustments in cost, schedule, and risk response estimates
- » Resource reallocation from non-critical to critical activities is used to bring projects back on track
- » Portfolio reporting provides meaningful information to help optimize resource utilization
- » Responsible project/program managers monitor planned to actual resource performance and provide feedback to the portfolio management team

Assess Organizational Capacity

Establishing the PMO as an organizational home for project management expertise helps to surface existing skills in project management and related specialties that are presently diffused across the organization.

Project managers actually report to the mature PMO and are deployed to projects either as full-time managers or on a part-time basis. The PMO maintains a database of project managers and related personnel—their skill sets, capabilities, specialties, experience, and technical skills. A simple categorization structure, usually developed collaboratively by the PMO and the HR function, facilitates resource allocation decisions across the organization. New projects can be staffed from this database, while project managers between full-time assignments work on special projects such as developing new processes, methodologies, techniques, templates, and capabilities. The tools used can be as simple as Excel spreadsheets, as complex as enterprise resource management software, or somewhere in between, depending on the sophistication level of the PMO.

Surprisingly, many large companies are only beginning to get a handle on who their project resources are and where they reside on the org chart. For some companies, the scarcest resource isn't money but project managers. A critical factor in project selection thus becomes: Do we have a project manager who can manage it?

How many project managers and project team members do you have? What is each one doing, right now? When will he/she be finished with it? What are his/her areas of particular expertise? Without a system for knowing what each person in the pool of potential project personnel is capable of, and when they will be available, you cannot really be said to manage a portfolio. People do projects. Without them, all you have are ideas.

As a first step, by performing a resource inventory, analyzing any resource shortages or added capacity uncovered, and recommending appropriate actions to optimize resource utilization — from hiring or contracting to training and development — the PMO can show immediate value.

Strategy #2: Project Portfolio Management Supports Resource Management Maturity

Project portfolio management (PPM) is the action of a mature organization to gather all the pieces of the project value puzzle — human resources, technology, corporate strategy, and financial resources — into a coherent picture. That's why enterprise resource allocation is a key feature of PPM. It shows whether projects can be staffed with current resources. If the resources are not available or if they have been committed to more work than they can reasonably accomplish, projects will not be completed as scheduled. This may sound simplistic, but in practice, many companies do not know how many projects they have scheduled, or who is going to do them. PPM sheds light into this darkness. Over half of all organizations practice PPM, but, according to the *State of the PMO 2012*, PMOs in high-performing organizations are nearly twice as likely to do so than low-performing organizations.⁸

When used effectively, PPM ensures that projects are aligned with corporate priorities and optimizes resource allocation. As a center for the collection of data about project human resources, and tools for evaluating and scheduling them—based on experience from previous projects—the PMO can validate business assumptions about projects as to people, costs, and time. It is also a source of information on cross-functional project resource conflicts or synergies. The human capital implications of rational allocation of human effort are immense. Having common corporate data on resource projections means that planning can be

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accomplished in a common database, resource projections summarized at the project level, then at the organizational level, on up to the corporate level. This resource-based approach to planning is an integral part of portfolio management, and a key to the rational allocation of resources, both human and financial.

As a central clearinghouse for project information, the PMO is the owner of the PPM process, coordinating between project level and portfolio level to make sure that decision makers have the best information in the most accessible formats. The investment decisions reflected in the portfolio form the blueprint for the work carried out by the project managers and teams within (or mentored by) the PMO.⁹

The ability to centralize resource planning and forecasting, match availability to portfolio needs, and deal with resource risk by running “what if” scenarios that predict the effect of new initiatives on resource capacity, puts the organization on a new level of effectiveness. In one study, implementing PPM resulted in an improvement of up to 300% in the number of projects that could be completed with the same resources.¹⁰

Strategy #3: Standardizing Project Management Culture and Results through Training and Methodology

Of course, even the most well-selected, balanced, and prioritized portfolio of projects can fail if appropriate project management discipline is not applied to the individual projects that comprise it. The worst-performing companies in the *Resource Management Challenges* study suffered primarily from a lack of project management maturity. Their issues with resource management are merely symptoms of the underlying failure to create a project management culture.

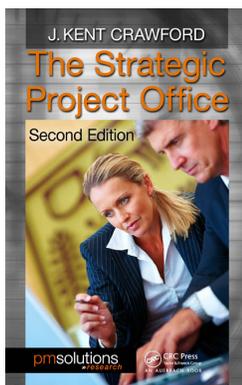
Even if a company has standardized on a project management tool across the enterprise, they may have access to the methodologies inherent in that tool, but it's unlikely that everyone who works on project teams has had adequate training to make the best use of it. Resources operating in this type of ad hoc environment experience rework and its associated frustration. That's one reason why research on the value of project management revealed that over 68% of companies that implemented basic methodology experienced increased productivity.¹¹

Establishing the PMO as the competency center for project management makes it possible for the entire organizational culture, from executives all the way through project teams, to communicate in a common language and work together. In its primary role as developer and maintainer of the processes and methodologies pertaining to the management of projects, the PMO also incorporates lessons learned on projects nearing completion into the project management methodology. As the keeper of these standards, the PMO also maintains the templates, forms, and checklists that are developed to ease the paperwork burden on project managers, teams, and executives.

In such an organization, the standard resource management processes recommended in the Project Management Institute's *PMBOK® Guide* would be part of accepted — and expected — daily practice, and resource management maturity would increase along with maturity in other aspects of project management.¹²

Conclusion

In 2000, Gartner, Inc., proposed, as a “Strategic Planning Assumption” for companies, that organizations that establish enterprise standards for project management, including a project management office with suitable governance would experience half as many major project cost overruns, delays, and cancellations as those that failed to do so.¹³ Numerous studies, including our own, have proven them to be prescient. Today, enterprise-level, strategic PMOs are becoming the most common organizational structures for execution of projects and programs because they have proven the value of having an organizational center for project personnel, project practices, and project oversight. This is doubtless why over 90% of mature PMOs report that their value to their sponsoring organization goes unquestioned. Organizations that hope to replicate the success of the top performers in the *State of the PMO 2012* study can see rapid improvement by establishing a PMO where PM methodology, portfolio oversight, and the development and allocation of resources all work in concert.



For more information regarding PMO establishment and deployment, see J. Kent Crawford's *The Strategic Project Office: A Guide to Improving Organizational Performance, Second Edition*.

Find it on Amazon.com (ISBN: 978-1-4398-3812-9)

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Related Reading

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Understanding the resource capacity that exists within your organization gives you the ability to balance demand and apply the right resources at the right time. Organizational skills need to be identified, planning and forecasting needs to take place, and your structure must be staffed properly.

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