The State of the PMO 2012

» A PM SOLUTIONS RESEARCH REPORT

Media Partner

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About the Survey

The State of the PMO 2012 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:
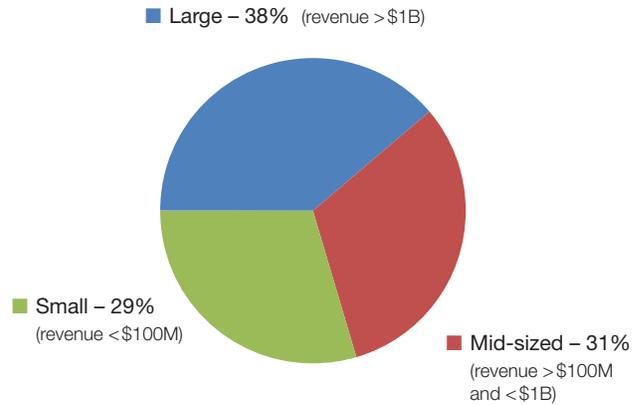
» Do companies have PMOs? For how long? What's their service span?

» What functions are performed by PMOs?

» How large are PMO staffs? How experienced?

» Do PMOs provide training? If so, what types of training? And how much?

» What challenges face PMOs?

» What value does a PMO add?

» What are organizations' priorities for the upcoming year?
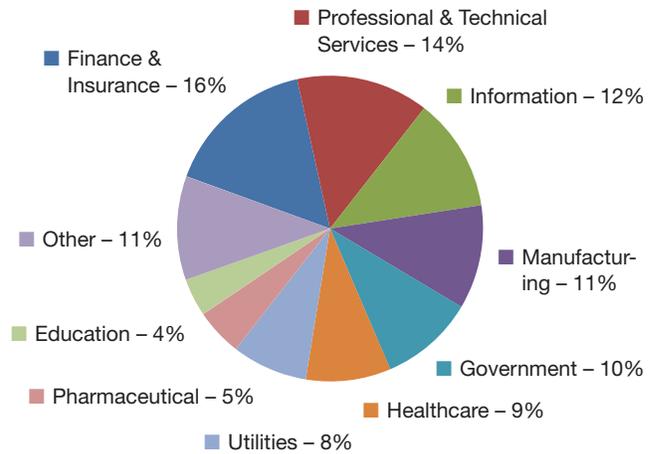
Number of Respondents = 554

Respondents' Corporate Headquarters Location

» North America 70%
» European Union 12%
» Asia 4%
» Middle East 3%
» South America 3%
» The Caribbean 2%
» Africa 2%
» Oceania 2%
» Central America 1%
» Eastern Europe 1%

Size of Organization

- Large – 38% (revenue > $1B)
- Small – 29% (revenue < $100M)
- Mid-sized – 31% (revenue > $100M and < $1B)

Industries Represented

- Professional & Technical Services – 14%
- Finance & Insurance – 16%
- Information – 12%
- Other – 11%
- Manufacturing – 11%
- Education – 4%
- Government – 10%
- Pharmaceutical – 5%
- Healthcare – 9%
- Utilities – 8%

Roles of the Respondents

- Project Manager/Program Manager – 23%
- Head of the PMO – 39%
- Other – 7%
- PMO Staff – 14%
- VP/Director-Level Business Management – 5%
- VP/Director-Level Project/Program Management – 12%
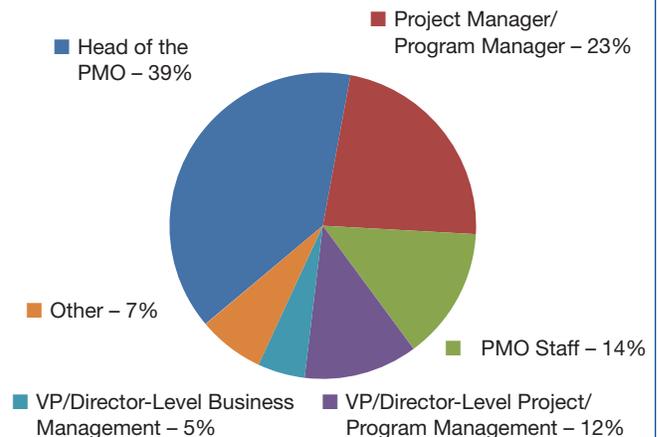
The State of the PMO

FOR OVER A 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 of, and roles within, the PMO.

The upward trend is unmistakable, both in the sheer numbers of PMOs and in their rising organizational clout. In our 2000 research on The Value of Project Management, only 47% of companies had a PMO. In 2012, that percentage has nearly doubled, to 87%. Moreover, our research clearly demonstrates that the PMO is fast becoming an organizational fixture that provides significant value to the business. This year, we added questions to this survey about overall organizational performance (see chart on page 7 for definitions of high and low performance). When cross-tabulated with PMO capability, it becomes clear that PMOs at the top of their game are not only impacting project management performance, but are boosting 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 strategy execution.

» Are nearly twice as likely to engage in performance measurement functions.

» Are more than twice as likely to practice resource forecasting and capacity management. They also manage more project managers, and engage in more training activities.

Studying the functions and practices of these high performers provides a roadmap to improved PMO and organizational success.
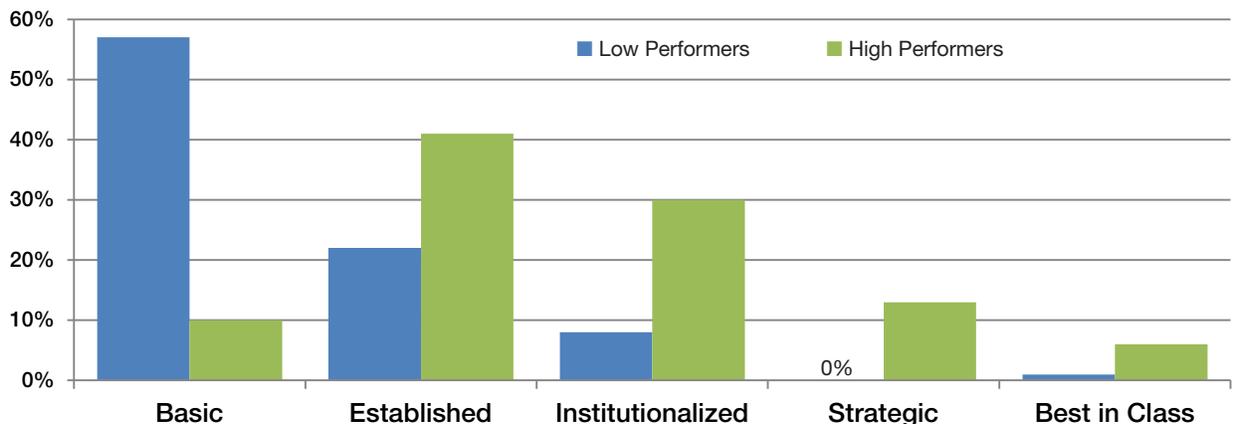
Percentage of Firms with PMOs

Year	
2012	87%
2010	84%
2006	77%
2000	48%

Growth in the number of PMOs reflects their rising importance to companies

PMO Capability Defined

» **Best in Class:** continuous improvement processes-practices used enterprisewide

» **Strategic:** standard portfolio management processes-practices used enterprisewide

» **Institutionalized:** standard PM processes-practices used across the enterprise

» **Established:** standard PM processes-practices used consistently

» **Basic:** basic PM processes-practices used inconsistently

PMOs in High-Performing Organizations Have More Capability

This chart compares the capability of PMOs in high-performing organizations with those in low-performing organizations.

Legend: ■ Low Performers ■ High Performers

Capability	Low Performers	High Performers
Basic	57%	10%
Established	22%	41%
Institutionalized	8%	30%
Strategic	0%	13%
Best in Class	1%	6%

Summary Findings

» The greater the capability of the PMO, the greater the value the PMO contributes to the firm.

» Formally defining the role of the PMO is their greatest challenge.

» Biggest growth by far is in small firms — 73% now have PMOs compared to 48% in 2010.

» Most companies have a PMO (87%). Of the few that don't, 40% are looking to implement one within a year.

» The value of PMOs is generally no longer seriously questioned (the smaller the organization, the more likely it's questioned).

» PMOs are focused on performing program/project management functions.

» PMO staff are highly experienced (avg. 10 yrs); 40% have PMPs.

» More than half of PMOs use contracted resources to manage projects.

» More than half of PMOs have training programs in place.

Growth Despite Adversity

In looking at changes in the PMO landscape since the 2010 survey, we see evidence of PMO leaders' response to prolonged economic stagnation. Across the board, PMOs have scaled back on their functions, except in those areas that will allow them to measure and demonstrate business value. Thus, more PMOs are performing project audits, performing activity-based costing, and focusing on project monitoring and controlling.

While PMOs on average report cutting back on some types of training activities, 71% continue to engage in project manager coaching and mentoring. Training in project management basics is still the focus of 84% of companies.

PMO size has not, on average, increased, perhaps due to hiring constraints; however, PMOs report an increased reliance on contracted resources, both for managing projects and programs and for managing PMO operational functions.

Finally, as we noted earlier, more companies now have PMOs than ever before. Smaller companies lead the pack in implementing PMOs, and in these organizations, the PMO leader is nearly 10 times more likely to report directly to the CEO than in a large company.

The PMO: Capability Makes the Difference

The findings of this research describe an organizational entity that continues to expand its influence and move up the organizational ladder. At the same time, as noted above, companies of all sizes are now implementing PMOs, broadening the trend across the marketplace. Of the companies in the study, 69% are large firms with over US$100 million in revenues; 17% of the individuals responding to the survey are at the Vice President level or above in their organizations. Well over half of PMOs now report to the highest levels of executive management, with 66% reporting to an Executive Vice President or above.

As PMOs garner more attention at the executive level, their role in strategic functions increases, but so does the pressure to demonstrate added business value. Since 2010, we have seen the percentage of PMOs that participate in strategic tasks decline

PMO Value Benchmarks

PMOs contribute directly to the following performance improvements:

» Decrease in failed projects 30%

» Projects delivered under budget 25%

» Improvement in productivity 22%

» Increase in customer satisfaction 31%

» Projects delivered ahead of schedule 19%

» Improvement in projects aligned with objectives ..39%

» Cost savings per project (% of total project cost)..15%

» Cost savings per project .... US$411,000

slightly: for example, overall the percentage participating in strategic planning has slipped from 62% to 48%. At the same time, PMO leaders list "defining the role of the PMO" and "demonstrating the value of the PMO" as two of their top challenges. We interpret this to mean that, with finances tight and the business outlook gloomy, companies have demanded more of their PMOs and PMOs have responded by an increased focus on performance. Now is the time for the PMO to prove its value; and PMO leaders are stepping up to the plate: respondents report saving their organizations an average of US$411,000 per project.

PMOs in high-performing organizations continue, however, to be trusted with high-value responsibilities: 62% participate in strategic planning. Their budgets are more than twice that of PMOs in low performers (US$900K vs. US$400K). They are active in performance measurement: 68% of them engage in PMO performance monitoring/controlling, compared to only 36% of PMOs in low performers. Part of their story is simply maturity; the median age of PMOs in high-performing organizations is four years (compared with two years for PMOs in low performers).

Training for the Future

Despite the economy, PMOs have remained steady in their focus on training; as in 2010, 58% of PMOs provide PM training delivery, with the vast majority focusing on training in PM basics. It's interesting to note, however, that among high performers, 55% also offer advanced PM skill development, compared to only 31% of the low performers. They also are more likely to provide soft-skills training, leadership development, and business skills training. Is this focus on a broader, deeper education in project management part of the reason these organizations deliver more value?

As PMOs increase their capability, more of them engage in portfolio management have project management training programs in place. By successfully managing these high-value tasks, they are entrusted with increased responsibility.

PMOs and Training

PMOs are responsible for the following training activities:

» Have a project management training program in place 55%

» Evaluate the project management competency of project managers... 64%

» Offer the following types of project management training

Project management basics..84%

Project management software tool training 57%

Soft-skills training (e.g., teambuilding) 56%

Advanced project manager skill development 42%

PMP preparation 37%

Business skills training 36%

Leadership training...36%

Project management certificate or degree program 24%

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 governance processes

5
Implement/enhance performance measurement process

Over the years, we have seen that more and more PMOs are becoming responsible for training and development functions, and this trend has not significantly slowed: 71% are responsible for PM coaching and mentoring, 54% manage project managers, and 55% are responsible for PM training curriculum development and coordination. PMOs in high-performing organizations are responsible for these functions to a significantly higher degree.

The number of PMO staffers who are PMPs has declined somewhat, from 50% in 2010 to 40% this year. This may be the reason that nearly a third of companies are now focusing on offering certificate and degree programs. PMOs in high-performing organizations have a higher percentage of PMPs (43%), more experienced staff, and are more likely to evaluate project manager competency. This, along with their focus on higher-order skills will give their companies a head start when an improving economy calls for new major initiatives.

As PMOs increase their capability, more of them engage in portfolio management and have project management training programs in place. By successfully managing high-value tasks, they are entrusted with increased responsibility.

Over the next 12 months, a major priority for PMOs is to enhance core PM processes — with 57% 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 would also explain the increased reliance on contracted resources.

In fact, PMOs plan to spend the coming year focusing on improving all their existing processes, with a particular focus on improving resource planning and forecasting (59%), and implementing or improving performance measurement reporting, analytics, and dashboard tools (54%). This is encouraging news, because resource management and performance management are two areas where PMOs have historically been deficient. It's important to note that, PMOs in high-performing organizations are 30% more likely to perform resource forecasting than low performers. This gives them an edge when resources are scarce, and provides a best-practice guideline for ambitious PMOs to follow.
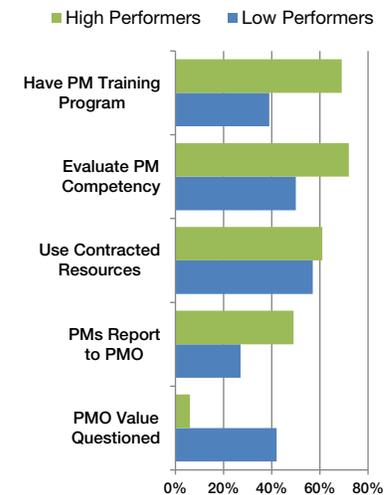
The greater the capability of the PMO, the greater the value the PMO contributes and the greater the overall performance of the organization. A highly-capable PMO engages in more functions, particularly project portfolio management and resource optimization, and is far less likely to have its value questioned by others in the organization.

Performance and Capability

» The percentage of Basic PMOs has increased significantly over prior surveys, primarily because of the significant number of new PMOs in small organizations.

» The majority of organizations have implemented PM processes and practices, fairly evenly split between those using them inconsistently and those using them consistently.

» PMOs demonstrate significant value. They've contributed, on average, a 30% decrease in failed projects, 25% of projects delivered under budget, a 22% improvement in productivity, 19% of projects delivered ahead of schedule, a 31% increase in customer satisfaction, 29% improvement in projects aligned with business objectives, and cost savings of US$411K per project.

» The median average age of PMOs in high-performing organizations is twice that of those in low performers (4 yrs vs. 2 yrs).

» Project managers in high-performing organizations are far more likely to report to the PMO, have more experience, and access to more training than those in low performing organizations.

» The biggest challenge to organizational performance is in optimally allocating project resources.

» PMOs in larger firms are more capable, and realize greater results, than those in mid-size and small firms.

» Government PMOs are less capable, and realize lesser results, than those in other industries.

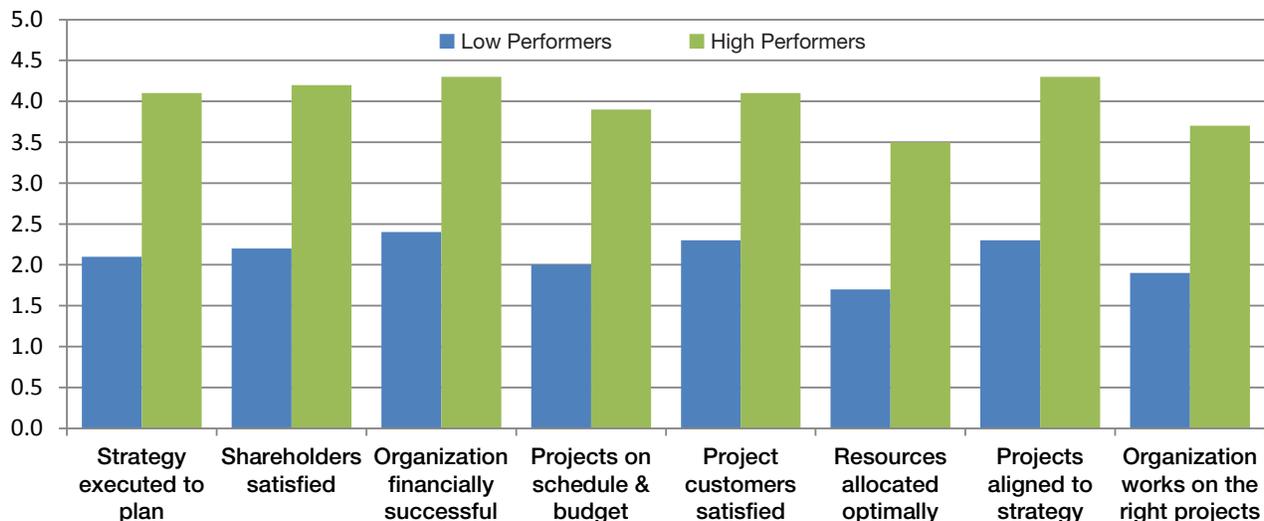» Enterprise PMOs realize greater results than Business Unit and IT PMOs.

High Performers vs. Low Performers

PMOs in high-performing organizations are more likely to perform a variety of functions than in low performers.

■ High Performers   ■ Low Performers

Have PM Training Program
Evaluate PM Competency
Use Contracted Resources
PMs Report to PMO
PMO Value Questioned

0%   20%   40%   60%   80%

High Perfomers Deliver More Business Value than Low Performers

High-performing organizations are defined by the extent they realize their organizational goals. Organizations rated themselves on a score from 1 to 5, where 1=to no extent, 5=to a very great extent. High performers rank in the top 25% in overall performance; low performers rank in the bottom 25%.
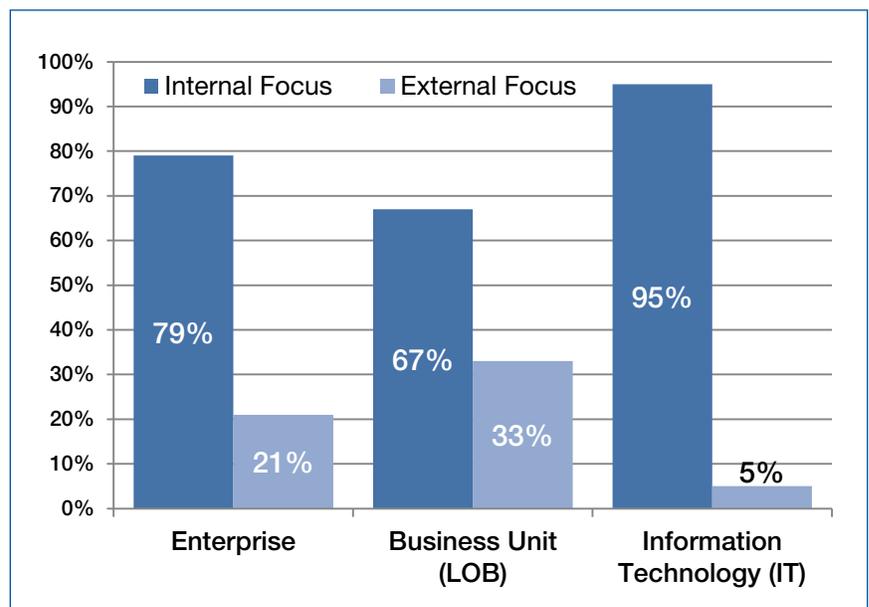

■ Low Performers   ■ High Performers

Strategy executed to plan | Shareholders satisfied | Organization financially successful | Projects on schedule & budget | Project customers satisfied | Resources allocated optimally | Projects aligned to strategy | Organization works on the right projects

PMO Size, Scope, Complexity

Organizations with PMOs

Size of Company	Percentage
Overall	87%
Large	94%
Mid-Size	91%
Small	73%

Percentage of Companies

» PMOs are now commonplace: 87% of respondents have a PMO (compared to 84% in 2010) and of those that don't, 40% have plans to implement a PMO within a year. Although mid-size and large companies are more likely to have a PMO than small companies, the biggest growth in companies, by far, was in small companies — 73% of small firms now have PMOs compared to 48% in 2010. Over 90% of mid-size and large companies have PMOs.

» Although PMOs are new to many companies, a majority have been in existence long enough to be getting traction: 34% are 5 years old or older (compared to 32% in 2010). There's a direct, and strong, correlation between the age of the PMO and its capability.

» With an annual PMO budget averaging US$500K and an annual project budget of US$10M, the PMO budget is 5% of the total project budget on average (median), down 1.25% from 2010.

» Companies are split on whether or not project managers report directly to the PMO. On average, 42% of the project managers in a company report directly to the PMO. In 25% of companies, no project managers report to the PMO, and in 21% of companies, all of the project managers report to the PMO. Project managers are more likely to report to PMOs in professional services firms than in other industries. PMOs in high-performing organizations have a much larger percentage of project managers reporting to them than low performers (49% vs. 27%).

» Almost half (41%) of PMOs span the enterprise, with 29% work within IT divisions. Manufacturing companies are far less likely to have enterprise PMOs, and healthcare companies are far more likely to have IT PMOs.

» Most PMOs are internal-project focused. Small companies, professional services companies, and information companies, however, are far more likely to have an external-project focus. IT PMOs are almost solely internal-project focused.

PMO Service Span a Big Influence on Focus

IT PMOs focus almost exclusively on internal projects (they're a cost center). Business unit and enterprise PMOs have a significant focus on external projects (they're motivated to make a profit). The chart to the right represents the percentage of PMOs that are internally or externally focused depending on their span of influence.

Internal Focus — **External Focus**

	Internal Focus	External Focus
Enterprise	79%	21%
Business Unit (LOB)	67%	33%
Information Technology (IT)	95%	5%

PMO Functions

» In general, PMOs focus on project management functions, which makes sense. As in our prior surveys, implementing PM standards and policies, monitoring performance, and coaching and mentoring are the top functions performed by the PMO. Although more than half perform project portfolio management functions, the percentage of firms that do so hasn't increased since our 2010 study.

» Only half of the PMOs surveyed say they communicate the PMO's business value to business peers. Less than a third analyze and report on benefits realized. Only 55% of PMOs have risk management as one of their functions.

» A majority of PMOs do not engage in resource management functions. These functions include resource forecasting, capacity management, and demand management or financial management functions, such as internal cost allocation, or activity-based costing.

» Three-quarters of PMOs use the *PMBOK® Guide* as a methodology. A quarter practice agile project management. Almost half have their own, in-house developed methodology.

» PMOs in larger organizations are more likely to practice project portfolio management and performance measurement.

» PMOs in public administration organizations are far less likely to perform project portfolio management and resource management functions than other industries. Those in manufacturing firms are far less likely to communicate the business value of project management or the PMO to business peers.

» Enterprise PMOs are far more likely to engage in project portfolio management than other types of PMOs, to communicate the value of project management and the PMO to peers, and to engage in benefits realization analysis and reporting.

» External-project focused PMOs are more likely to engage in risk management, interface with customers/suppliers, manage project planners/controllers, and engage in financial management, especially internal cost allocation and activity-based costing. Internal-project focused PMOs are more likely to engage in project portfolio management.

» The greater the capability and performance of the PMO the greater the number of functions in which it engages, in all areas including governance, portfolio management, project/program management, resource optimization, performance measurement, positioning management, and financial management.

Top 10 PMO Functions

1
PM methodology, standards implementation/management

2
Project policies, procedures, templates implementation/management

3
Project/program monitoring and controlling

4
PM coaching and mentoring

5
Project/program initiation

6
Governance process implementation/management

7
Multi-project coordination

8
Project/program closing

9
Project performance monitoring/controlling

10
Dashboard/scorecard implementation/management

PMO Staffing

The PMO in 2012 at a Glance

» PMO Age: 3 years

» PMO Budget: US$500,000

» PMO Budget as a Percent of Overall Project Budget: 5%

» PMO Staff Size: 7 people

» Percentage of Project Managers that Report to the PMO: 42%

» PMOs Using Contracted Resources to Manage Projects and Programs: 61%

» PMO Staff with PMPs: 40%

» Project Management Experience of PMO Staff: 10 years
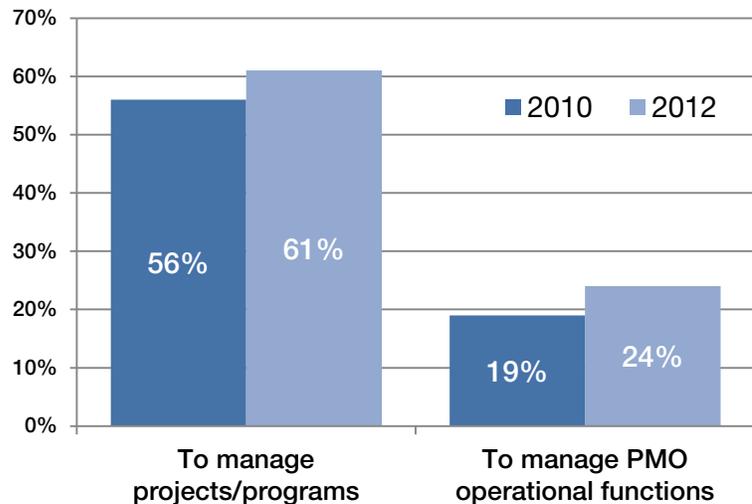
» PMO Staff Training per Year: 5 days

All responses are median averages

» 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 1,000.

» PMOs are becoming more and more responsible for managing projects and project managers. In this survey 75% of PMOs have project managers in their staff, up from 72% in the 2010 survey and 60% in the 2007 survey.

» PMO staff are highly experienced. The staff in 86% of companies have 5 or more years of project management experience (up from 83% in the 2010 survey).

» More than half (61%) of the PMOs reported that they use contracted resources to manage projects/programs.

» The larger the size of the organization, the larger the size of the PMO's staff, the more likely they are to have managers of project managers and metrics analysts, to use contracted resources, and to have project management training programs in place.

» PMOs in professional services and utilities organizations are larger on average than in other industries. Utility PMOs are far more likely to use project schedulers and controllers. Healthcare and utility PMOs are more likely to use contracted resources to manage projects/programs. Healthcare PMOs are much more likely to have PMPs. Professional services PMOs are more likely to be involved in evaluating the competency of project managers.

» PMOs in IT divisions are far less likely to have program managers than business unit and enterprise PMOs. Enterprise PMOs are far more likely to have project planners and controllers.

Percentage of PMOs that Outsource Continues to Grow

Companies continue to use contracted resources to manage project and programs as well as manage some or all of their PMO operational functions. PMOs from larger firms, IT divisions, and high-performing organizations are more likely to use contracted resources.

Percentage of PMOs that Use Contracted Resources Continues to Grow

Bar chart legend: ■ 2010 ■ 2012

To manage projects/programs: 56% (2010), 61% (2012)
To manage PMO operational functions: 19% (2010), 24% (2012)

PMO Challenges

» The number one challenge to the PMO is formally defining its role (this may in part reflect the number of new PMOs in small organizations). Resource management is still a significant challenge (number one in 2010 and 2007). Slightly contradicting the answers to the question on whether or not the PMO's value has been challenged is the fact that demonstrating the added value of the PMO is the fourth greatest challenge (the same as in the 2010 survey).

» PMOs in small firms are much more challenged than those in mid-size and large firms (16% of small firms questioned or considering closing them vs. 4% of larger firms).

» PMOs in public administration organizations are more likely to be challenged by others in the organization than those from other industries. And 20% of them report their biggest challenge to be formally defining the PMO role.

» Business unit PMOs are much more likely than IT or enterprise PMOs to report their biggest challenge to be project managers with inadequate skills or not having enough project managers.

» External-project focused PMOs are much more likely than internal-project focused PMOs to report their biggest challenge to be not having enough project managers.

» High-performing organizations are far less likely to question the value of their PMOs (4% of high performers questioned or considered closing them vs. 17% of low performers). Low-performing organizations are far more likely than high performers to see getting executive support and formally defining the PMO role as their greatest challenge.

» The greater the capability of the PMO the less likely its value has been questioned by the organization. The lower the capability of the PMO the more likely it is that their greatest challenge is formally defining the PMO role. The greater the PMO's capability, the more likely it is that assuring the consistent application of defined processes is its greatest challenge.

Greatest PMO Challenges

» Formally defining the role of the PMO

» Resource management

» Assuring the consistent application of defined processes

» Demonstrating the added value of the PMO

The Outlook for PMOs

What does the future hold? Based on the trends identified by comparing the 2012 results with previous years, PM Solutions Research projects that:

» PMO leaders will continue to build better relationships with executive management, by improving PMO performance measurement, refining the value proposition of the PMO, and demonstrating business results.

» PM training will remain steady, with PMOs replacing skills lost to layoffs through stepped-up basic project management training augmented by the use of contracted resources.

» Improvements in performance measurement will make it possible for PMOs to more accurately measure productivity, relate training investments to project performance improvement, and track benefits.

» As PMO leaders strive to define their organization's role, they will move from a linear set of "levels" of capability, which many of them report finding too prescriptive and limiting, to a more descriptive model that functions as a menu of possible PMO features and capabilities.

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

PM Solutions' PMO Practice

For more than 15 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.

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