Project Management Office & its Best Practices

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Abstract
Many companies have created project management offices (PMOs) in an effort to improve the execution of strategic initiatives as they face intense competitive pressures. There is widespread consensus that PMOs can help organizations deliver their projects on time and on budget. But project management offices are not a magic solution to project challenges. A 2016 report by the Project Management Institute found that only 53 percent of projects were completed within their original budget and only 49 percent were done on time. While 16 percent of projects were deemed failures. So why do some project management offices yield game-changing ROI and some don't? To answer this question, we asked leading PMO executives to identify the most important best practices. In this article, we'll share their insights and look at the definition, history, functions, and challenges of PMOs. There are also tips on everything from managing scope to cultivating PMO talent.

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I. ORIGIN OF PROJECT MANAGEMENT OFFICE

The modern project management office appeared in the 20th century and took shape as a concept that's similar to today's PMO in the 1950s thanks to efforts by the U.S. government to manage giant defense projects. PMOs began to proliferate rapidly in the late 1990s, often as a response to rapidly evolving technology and the need to better manage IT projects in enterprises. A quick note on terminology: project management office or PMO is the leading term to describe this business function, but others include program management office, project support office, and project office center of excellence. In addition, the acronym PMO has other meanings, such as prime minister's office, product management office, and planned maintenance outage, but we won't be covering those here. Whatever you call it, the PMO has become ubiquitous. A survey by PM Solutions found that 85 percent of companies had a project management office in 2016, up from 47 percent in 2000. This included 95 percent of firms with annual revenues of more than $1 billion, 83 percent of those with revenues of $100 million to $1 billion and 75 percent of businesses with revenues under $100 million. Project management offices can have different structures, styles, and operating methods, but their raison d'etre is generally the same: To help the organization deliver its projects in the most strategic and efficient way by standardizing policies and following project management methodologies.

The UK Office of Government Commerce, which has since been disbanded, developed a highly regarded standard for mature PMOs that held that their mandate was to provide governance, transparency, reusability, delivery support, and documentation to projects. The jobs and functions of the PMO vary with the type of organizational structure, but the common areas of responsibility include:

- Define and implement a project management process or methodology
- Provide training to the organization on project management
- Serve as a base for project managers who are loaned to business units for their projects
- Consult on or run the organization's projects, ensuring consistency and best practice
- Select and maintain project management technology such as software and applications
- Manage the organization's portfolio of projects
- Perform resource allocation and budgeting for projects
- Handle project scheduling
- Maintain information resources and templates for project workflows

- Track and analyze project performance and PMO effectiveness
- Governance and decision support for projects
- Identify and evaluate risks
- Ensure quality and consistency in projects
- Support and coach project teams
- Communicate with stakeholders and participants
- Monitor supplier performance

II.   RATIONALE FOR AND BENEFITS OF PMOS

Project management offices have become popular because they respond to common and important needs within organizations. Complex projects are fraught with risks of missed deadlines, cost overruns, failed objectives, and scope creep. Poorly managed projects lead to wasted corporate resources. In fact, the Project Management Institute concluded in a 2016 analysis that $122 million is wasted for every $1 billion invested due to poor project performance, a 12 percent increase over the prior year. By centralizing project management tasks in the PMO, enterprises can take advantage of the specialization, experience, and expertise of PMO staff rather than asking individual managers to "reinvent the wheel" when they run a project. The PMO fosters a consistency in project management that makes it possible to repeat processes from one project to the next

For those companies that develop effective PMOs, the rewards are great. The benefits of the PMO can include:
- Centralized project data which enables better visibility into projects, greater understanding of how projects are aligned with organizational objectives, and improved insight into project status.
- Better resource allocation because the PMO looks at the range of project candidates and using portfolio management techniques, prioritizes initiatives.
- Higher consistency in project management, making it easier to track and analyze project performance.
- Increased accountability as one of the PMO's roles is to ensure clear ownership of each project.
- Greater on-time/on-budget performance using project management tools and processes throughout the lifecycle.
- Improved productivity and ROI on projects.

These benefits are most likely to accrue to high-performing PMO teams, and their projects meet their goals two and one-half times more often and waste 13 times less money than their counterparts, PMI discovered. The analysis found that among organizations that place a high priority on a culture of project management, 71 percent or projects met their goals versus 52 percent among companies that place a low priority on this culture. Before it sounds like the PMO can do no wrong, we should point out that there are skeptics. Research from The Hackett Group dissents from the generally positive view and contends that PMOs fail to help most companies reduce IT cost or improve performance. Their research revealed that enterprises that rely heavily on PMOs see "materially higher IT costs while also failing to deliver projects with higher ROI or better on-time and on-budget performance." Their 2012 analysis of 200 large companies concluded that those with low PMO usage saw 32 percent lower operating costs than those with high PMO usage.

In addition, the 2016 PMI analysis said that only 17 percent of the organizations surveyed had a high realization of benefits from the PMO, a number that was static for three years, while the percentage reporting low benefits realization trended upward to reach almost 40 percent. Moreover, while cost savings

are often attributed to PMOs, a 2003 survey by the Project Management Institute and CIO magazine found that 74 percent of respondents did not see cost benefits to their PMOs. Generally, the older and more strategically aligned a PMO is, the greater its contribution to the organization, experts say. That means embracing best practices, which we provide in detail below.

A. Three Major Models for How PMOs Work

Project management offices can be incorporated into organizations in different ways, but there are three main models.

1. **The project repository or "supportive" PMO:** In this model, the PMO has relatively weak authority and serves as a resource. It offers support by providing expertise, training, and information when sought by project managers. Project managers generally reside in the business units, and this style PMO is most common in more decentralized organizations.

2. **The project coach or "controlling" PMO:** The PMO under this model handles certain aspects and some supervision for all projects. It takes an active role in developing policies, promoting best practices, documenting project performance, and analyzing outcomes. This PMO provides support but also exerts an element of control by compelling projects to use specific methodologies or policies.

3. **The enterprise or "directive" PMO:** In this model, the PMO is involved in all aspects of governing all projects and makes decisions on resource allocation, scheduling, scope, cost, and goals. This style of office takes over projects, and its professional project managers are assigned to individual projects. These are most common in large enterprises with sufficient project volume to support this strong central resource.

In addition, a PMO can be established for a division or department. A project management office can also be implemented to focus on a single special purpose and with a temporary lifespan. The Project Management Institute has gathered all these trends under an umbrella of five potential frameworks for PMO structure.

a. **Unit or Department PMO:** Provides services to support the division's projects.
b. **Project-Specific PMO:** Provides project-related services as a temporary entity established to support a specific project or program.
c. **Project Support/Services/Controls Office:** Uses the governance, processes, practices, and tools established by the organization and provides administrative support for delivery of the project, program, or portfolio work.
d. **Organization-wide/Strategic/Corporate/Portfolio/Global PMO:** Often responsible for alignment of project and program work to corporate strategy, establishing and ensuring appropriate enterprise governance, and performing portfolio management functions to ensure strategy alignment and benefits realization.
e. **Center of Excellence/Center of Competency:** Supports project work by equipping the organization with methodologies, standards, and tools to enable project managers to better deliver projects. Increases the capability of the organization through good practices and a central point of contact for project managers.

B. Top PMO Priority: Honing Project Methodologies

At the core of the PMO's mission is identifying and implementing project methodologies. Most often, these are industry standard methodologies such as PMBOK (Project Management Body of Knowledge) or PRINCE2 (Project in Controlled Environments). Such approaches are consistent with the requirements related to ISO 9000 and to government regulatory requirements such as the U.S. Sarbanes-Oxley Act, which imposed requirements on the accounting and financial disclosure of publicly traded companies and created responsibilities for managers of financially material projects in terms of compliance and record retention. In fact, the introduction of Sarbanes-Oxley, also known as SOX, in 2002 has been cited as one reason for the spread of the PMO. Other methodologies include Agile, Waterfall, Scrum, and Kanban.

III.   IMPLEMENTING A PMO

If you intend to establish a PMO within your company, experts say there are several important steps. First is having the support of senior management. One study by Eric Darling and Jonathan Whitty found that senior managers are often dissatisfied with PMOs, so it's important to set clear expectations and get the buy-in of key leaders. Then analyze your current state, inventory your current strengths and weaknesses, and define your goal state. "Causes behind PMOs failing to achieve their strategic objectives include lack of support from executive staff, a lack of transparency, and a lack of focus," said Eileen O'Loughlin of Software Advice. "Best practices for avoiding these pitfallsinclude identifying an attainable business goal and outlining a strategic plan to achieve that goal, developing project evaluation criteria and investing in a PM solution to provide the appropriate level of transparency and oversight." Independent process management consultant Maria Erland recommends organizations identify their most critical need which may be balancing the supply and demand of resources, prioritizing the project portfolio, or ensuring successful delivery of strategic projects. Pick one to tackle first and set priorities for achieving it. Other experts recommend tackling some immediate measures that can provide quick wins and raise the acceptance level for the PMO, such as coming up with a prioritized project list.

Next, design the mandate, structure, and services of the project management office. Realize that the broader the tasks of the PMO, the higher the expectations of stakeholders -- and the higher the risk of disappointment will be. Communicate with your organization what the PMO's mandate will be and how it will interact with other departments.

The Project Group identifies its top 10 steps for developing a PMO as:
1. Honest analysis of the PM weaknesses
2. Complete stakeholder analysis
3. Clear distinction between project and line tasks
4. Maturity level identification for progress documentation
5. Achieving quick wins as early as possible
6. Clear definition of PMO task fields
7. Don't start with too many task fields
8. Comprehensive communication of PMO mandate
9. Setting up change management from the beginning
10. Clear backing by the management

IV.   STRONG ALIGNMENT WITH ORGANIZATION GOALS PREDICTS PMO SUCCESS

PMO leaders strongly agree that having close alignment with organizational goals is a precondition for success. "When setting up the PMO vision, mission, goals, and objectives, the PMO leadership should start

with the organization's vision, mission, goals, and objectives and ensure that they are aligned with these," said Rakan Saraiji, a Principal in the PMO consulting practice of BOT International. "In order to have the best aligned goals and objectives, the PMO leadership should meet with all relevant stakeholder leadership, to get their input on what are the critical outcomes they would like to see from the PMO (e.g. Finance would like less project cost overrun, HR would like better project resource allocation). Ensure that you've captured all this critical input and try to align the PMO objectives with some, if not most, of this relevant stakeholder leadership input. These steps will ensure your alignment with the organizational goals and objectives, and you will have advocates from most if not all relevant stakeholder leadership," he added.

Denis Geoghegan, Founder of Expert Program Management cautions against focusing on serving as a repository of information at the expense of strategic alignment. "The most common problem I've seen with unsuccessful PMOs is that they are established on the basis of achieving success by pooling and centralizing best-practices, templates, and processes, with the ultimate aim of reducing delays to future projects. If a PMO is created in this way then it usually leads to the failure of the PMO to be successful, as the PMO is perceived throughout the organization as simply a bureaucratic overhead," he said. "A better approach to creating a PMO is to align the PMO with the company's strategic goals. This way the PMO can work with the business leadership to focus on only those projects that bring the most value to the organization, and in doing so, really earn its place in the business."

Todd C. Williams, President of strategic consultancy eCameron, Inc, said that PMOs can also stumble when they lose their agility and focus on a clearly defined goal. "In most cases, PMOs that do have goals to meet do not need to exist after those goals are met. They can be disbanded," he said. "They are better defined as task forces to address specific corporate issues...For instance, Tom Peters in In *Search of Excellence* points out how excellent companies are continually creating temporary groups to do tasks where their less-than-excellent counterparts create staff positions for the same task. The result is needless overhead."

"Many PMOs become bureaucratic establishments that prolong their lives far past their usefulness to keep the entity in place. They become self-serving, self-perpetuating groups that slow the organization," Williams said.

Jeff Varney, Director of advisory services for The American Productivity & Quality Center, echoes that idea. "Why do PMO's fail? They lose sight of needed business outcomes and focus on project management from a purist perspective resulting in non-value-add work and projects that meet schedule and budget, but don't create the expected value," he said.

A. Most Common Pitfalls for PMOs and Best Practices
The good news is that PMO capability rises with its longevity, so persistence will pay off. PM Solutions found a high correlation between the age of the PMO and its ability. PMOs in high-performing organizations are on average six years old vs. three years old for low performers. In addition to strategic alignment, PMO leaders say that when project management offices fail, the problem often lies with one of several factors. These include failing to have:

a. ***Clear accountability.*** "The PMO is an agent of the business and derives its authority from the business leader that sponsors or owns the projects. As such, the PMO must work closely with those business leaders and the business leaders in turn must avoid circumventing the PMO and associated standards/methodology. The PMO cannot take on a life of its own separate from the business and its needs. The business cannot ignore or make all projects non-standard," said Varney.

b. ***Balanced and appropriate relationship with the organization.*** Harry Green, who established and heads a PMO at the U.S. Postal Service, said the PMO must understand its role as a coach to the project team. "Teams fail when the PMO doesn't have a game plan, when they are not getting the most from the team members due to personalities or deficiencies in abilities. A PMO must be strong but tactful in their approach, have a clear understanding of the goal but be willing and open to listen to alternatives to reach the objective. Most successful PMOs use experience with people, projects, tools, and techniques to speed along and reduce roadblocks for the team. Remember the PMO holds it all together," he said.

c. ***Strong, experienced PMO staff.*** Developing and retaining strong project managers are among the PMOs core competencies. The PMO needs to recruit talented individuals with key skills and to continue their professional development by participating in events such as industry conferences.

d. ***Cultural fit with the organization.*** "It's important for organizations to be cognizant of their Project Portfolio Management (PPM) maturity and align the goals for the PMO with the maturity of the organization," said Eileen O'Loughlin of Software Advice. "This helps ensure that the necessary groundwork is in place for achieving that particular value target. Setting goals too far above the maturity of the organization is one of the main reasons PMOs fail."

Support from senior leadership and High visibility and credibility within the organization.
i. ***Support from stakeholders.*** "Executive support has significant impact on the success of the PMO but sometimes having vertical alignment is just not enough….It is essential for a PMO to connect horizontally with other business executives and be an advocate to raise awareness and importance of project management best practices," said Prasad Mahale, Project Management Officer for the City of Riverside, California. "Building and maintaining a strong horizontal partnership with business executives and offering them support and guidance through best practices workshops will increase the success rate of the PMO."

ii. ***Agreement on the objectives of the PMO.*** PMOs fail because "they are set up as a solution, not a means to an end. They are created without a clear set of objectives. 'Improve project performance' is not a clear objective. They flounder as they try to solve an undefined problem," said Williams of eCameron, Inc.

iii. ***Well defined policies, processes, and project workflows.*** "Having a shared repository of operating procedures and templates can make a world of difference in project management. By sharing lessons learned as best practices for future projects, project managers can be more successful and the organization can achieve better results," said Sarah Meerschaert, a Healthcare Technology Project Manager at CenTrak.

Authority to make important project decisions.
a. ***Robust communication within projects and to the organization about the PMO.*** "Often communication breakdown can be a point of failure. Projects will come in from a variety of sources, and if internal and client expectations aren't clearly defined, it's a recipe for failure. Often simply adding a submission form or kickoff meeting at the outside of a project can help address this problem," said Meerschaert.

B. More Best Practices to Support PMO Success

Among other best practices, scope management is crucial, said Rick McCloskey, Senior Director of the PMO at McGraw-Hill Education. "One of the top reasons a project fails is poor scope management," he said. "In this instance the scope of your project is your destination. If you fail to articulate specifically what the objectives are of your project how do you know it's a success? Moreover there is nothing to measure against, manage against, budget against, and plan for. The impacts of poor scope management are far reaching and can result in cost overruns, delays, poor quality and not meeting the customer needs." "Clearly documented and approved scope at the onset of a project is vital. It may take a little extra time and effort on the front end but will invariably help avoid the pitfalls we can control," he added.

O'Loughlin of Software Advice said the choice of a PM solution can be important since tools help connect teams, departments, and executives, and streamline collaboration among users. "These tools can help create an audit trail for key business decisions and important communications," she said. "Additionally, they can help increase awareness and visibility into project needs, allowing managers and PMO leaders to allocate resources to current projects and plan for future initiatives more effectively."

Improve project delivery by refining your planning process. If you're not already, include stakeholder analysis as part of your planning process. Secondly, having a better understanding of your team's capacity relative to a project's scope, budget, and timeline will enable you to quickly resolve issues as they arise over the course of the project. And lastly, be comfortable pushing back on requests that come in after-the-fact which might compromise project delivery.

V.   CONCLUSSION

As with any other business process, it's important to track and measure the performance of the PMO. Finding good metrics for the PMO has been elusive since project success may not always be immediately apparent or may vary over time after completion.

One solution that is relatively easy to implement is to survey internal customers, users, and stakeholders on their satisfaction with the project process and outcome.

Establishing standardized processes, using project selection criteria to weigh initiatives, and project tracking tools to monitor project progress can provide leaders with useful performance data, allowing them to better analyze the risk vs. reward for different initiatives, ultimately facilitating more informed investment decisions.

"In my opinion the most important best practice related to PM standards is to put in place a continuous, virtuous cycle of process improvement aimed at increasing project management maturity within the organization.

The improvements should be measured in terms of on-time projects delivered, cost reductions, and profitability," said Geoghegan.

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