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## Four Steps to Value Improvement

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### Abstract

In today's economy, every company and organization is struggling to do more with less, and performance is paramount. This is true for public and private sector entities, as well as for non-profits. Which is why, in order to prevail in lean times, it's essential to optimize every operation of your organization, especially the project management office (PMO).

It should be readily apparent that no organization will succeed if its projects are not managed effectively—on time, within budget, and delivering stated business outcomes for clients, whether they are internal or external. Your PMO should be an integral component in your organization's project management practice, and should be delivering results that are critical to business and mission success. Accordingly, a careful analysis of the "state of current practice" of your PMO is extremely valuable in identifying areas for improvement and in ensuring that you're delivering the highest level of value expected.

ESI's professional experience indicates that increasing the value of the PMO is directly related to an organization's ability to compete in its marketplace and deliver quality services and products to clients in a timely fashion. In short, your PMO has a direct link, and contribution, to your organization's bottom line. This paper examines various aspects of the PMO, including key functions, characteristics and challenges, and showcases attributes of a successful PMO. A four-step plan is also provided to improve your PMO's value to the organization at large.

### Introduction

There is no "one-size-fits-all" PMO. Each is as unique and specific as the corporate culture it supports. However, for the sake of clarity, it's worthwhile to define generally what a PMO is and what it does.

According to the *Dictionary of Project Management Terms, 3rd Edition*, a project management office is an "organizational entity established to assist project managers throughout the organization in implementing project management principles, methodologies, tools, and techniques. In most implementations, the project management office is a support function and is not responsible for project execution. Its main objective is implementing effective project management practices throughout the organization." (Ward, 349)

Not specifically stated, but rather implied in the definition, is the notion that the PMO is the instrument through which an organization successfully deploys project management. A PMO, like project management itself, is a means to an end, not the end itself; and, as such it is strategic in its purpose and

objective. The “end” is whatever business outcome and results the organization has identified as being critical to its survival.

Where we have a “high-performing” PMO, the entire organization and its clients reap the rewards: Projects are delivered on-time, within budget, and meet stakeholder expectations and requirements. Keeping in mind that the primary role of the PMO is to provide the structure and expertise required to improve an organization’s project success rates, it’s useful to step back and review the key functions of the PMO.

## Key Functions of the PMO

In 2005, Dr. Brian Hobbs, a well-known and respected researcher at the University of Quebec at Montreal, conducted a survey of 500 PMOs for a research initiative commissioned by the Project Management Institute (PMI®). The survey underscored the broad variation in activities and functions of each PMO participant. Of its many findings, the survey identified the top 10 most important functions of the PMO (as reported by the respondents), to include (Hobbs, 22):\*

- Reporting project status to upper management
- Developing and implementing standard methodologies
- Monitoring and controlling project performance
- Developing project management competencies, including training
- Implementing and operating a project management information system (PMIS)
- Advising upper management
- Coordinating among project and project managers
- Developing and maintaining a project scoreboard
- Promoting project management within the organization
- Monitoring and controlling performance of the PMO

\*Presented in ranking order of commonality as identified in Dr. Hobbs’ study. There were, in total, 27 functions performed by PMOs. Of interest, some of the more “strategic” functions, such as manage benefits, portfolio management and manage customer interfaces, were not included in the Top 10.

Given the survey results, how does your PMO compare? Do you have a good idea what functions your PMO generally performs? Have you conducted an internal audit or survey of project managers and division heads, as well as senior executives, in order to assess the PMO from an organizational perspective? If not, a brief internal survey designed to take the “pulse” of your organization regarding its PMO is a good first step. Remember, you can’t know where you’re going if you don’t know where you are.

## Step 1—Conduct an Assessment of Your PMO

In order to improve upon anything, even your health, it's necessary to conduct a baseline analysis to determine your current condition. This is also true with your PMO. How do others in the organization regard the PMO? Do they recognize its potential and its value? Is the PMO being under utilized? Does your PMO have executive support?

Let's get started with a few representative questions that you might want to pose in the context of such an assessment:

- Is your PMO involved in project selection and prioritization?
- What is your mandate over projects? Over project managers?
- How would you characterize your PMO's decision-making authority?
- How does the organization perceive the value of your PMO?
- With respect to the functions of your PMO, which of the top 10 most typical PMO functions are applicable?
- Do you anticipate a changing role or an increase/decrease in responsibilities for your PMO? How would those changes impact your organization?
- How do you measure your PMO in terms of overall performance and value to your organization?
- What business benefits can you attribute to the work of your PMO within the past year?
- Enumerate the top five achievements your PMO has realized in the past six months.
- What are your PMO's greatest strengths? Weaknesses?

### Key reasons to conduct an internal survey about your PMO:

- Better business alignment with strategic goals
- Improved functional users' involvement
- Increased awareness about the PMO and the value of the PMO
- Improved communication with functional users

To be sure, there are many other questions that might be applicable to your particular organization, and the questions provided here can be augmented or tailored to fit your specific circumstances. Once you've gathered information and evaluated the results, prepare a report for senior management that includes recommendations for addressing interests/concerns voiced in the assessment. Be sure to highlight the "good news" or favorable findings. Also, take the time to keep the survey respondents informed, as feedback relative to these kinds of assessments is an important element of good communications. In lieu of creating your own report, and in order to ensure added credibility, you may instead decide to select an independent contractor or specialist to conduct the survey. The specialist should be able to prepare the report and develop creative, professional solutions to issues that have been identified.

## Step 2—Determine What Type of PMO You Have

Now that you've conducted an internal assessment, either through in-house staff or with the support of an outside consultant, you've effectively taken the "pulse" of your organization. You know the views of others inside the organization with respect to your PMO, and you may have developed a path forward to address issues and concerns that emerged as a result of the survey. Based upon daily functions, as well as information obtained through the assessment, the next step is to determine what type of PMO you have. Your PMO may be all, some of, or just one or two of the following:

- A weather station—gathering and reporting project progress data
- A control tower—developing and enforcing standards, methods and processes
- A resource manager—dispatching project managers to key projects
- An integrator—managing project interdependencies
- A benefits verifier—tracking return on investment (ROI)
- A portfolio manager—managing the health of the portfolio

Being aware of the type of PMO you have, and knowing its various attributes, will help as you (and/or your consultant) move forward in addressing the issues and challenges identified in the assessment. Moreover, being able to articulate the type and functions of your PMO with clarity will help to substantiate aspects of value that were not recognized previously by functional users and senior managers.

## Step 3—Determine the Value of Your PMO

Value, like beauty, is in the eye of the beholder. Nevertheless, value can be determined by what one does, how well one does it, and often by how much it costs. Typically, organizations use business cases to prioritize limited resources for those elements or opportunities that provide the greatest ROI. Some of the challenges that put your PMO at risk of being under-valued include:

- Lack of a current, published operational plan
- Limited, or no, user involvement
- Lack of executive support
- Lack of a compelling business case
- No standard agreement for requirements or performance metrics
- Lack of accurate status reporting
- Lack of organizational commitment and insufficient resources
- PMO personnel who lack the requisite depth and expertise in critical project management skills

In recognizing these challenges or warning signs, it's also important to understand who actually determines the PMO's value. Figure 1 graphically depicts those who play key roles in value determination.

**Figure 1: Who determines the PMO's value?**



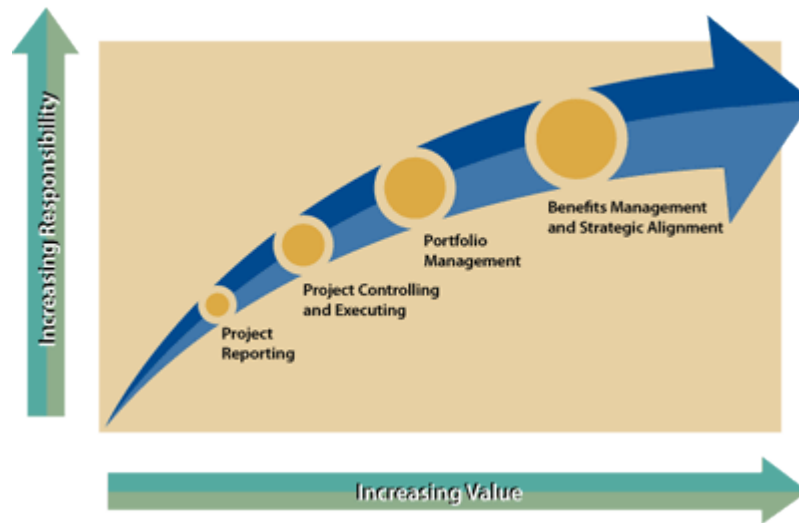
It might seem that each group has an equivalent scope of influence over your PMO, when in fact, it isn't true. We believe that project managers, as a group, have the strongest influence in determining whether the PMO is perceived as having value. After all, the PMO, in most implementations, is created specifically to help project managers perform their roles better. If the primary audience for whom the PMO was created fails to see the value in its work, it's highly likely that others in the organization will fail to see it as well.

Creation, implementation and continued operation are what constitute a PMO as a program. And, as a program, it has multiple, on-going, and inter-related components, many of which are operational in nature. Therefore, as a function managing it, the head of the PMO needs to accurately identify all the stakeholders and engage in active stakeholder management. After all, each of the three groups represented in the above illustration needs something slightly different from the PMO, and it's the head of the PMO's job to figure out what that is and deliver it.

#### **Step 4—Increase Your PMO's Value**

Now that you've identified the type of PMO you have, and have determined the value that it's providing your organization, let's take a look at the ways you can increase its value across the organization.

Figure 2: PMO Value Continuum



Based on more than 28 years of experience in project management, ESI has developed the *PMO Value Continuum* shown in Figure 2. You can see that value increases substantially when the PMO moves beyond administrative functions, such as “project reporting,” to higher levels of involvement that align strategically with business management objectives. We’d suggest, based upon our experience, that the closer the PMO works with senior management in strategic planning, managing benefits and business alignment, the greater its value to these very people whose agreement is required to create it, or eliminate it.

That said, we see a disturbing disconnect between those who run PMOs and those who value them. Looking back to the top ten most important functions, we see that most respondents to the Hobbs’ survey reported that providing project status was the PMO’s most important function; however, from a strategic value perspective it’s a relatively low priority. We do not assert that it isn’t an important function; in fact, it is. But, most senior executives wouldn’t place it high on the “value chain.”

If a PMO is to move up the “value continuum,” it must become more engaged and relied-upon for involvement in such strategic activities as portfolio management and strategic alignment. And, in order to be a key player in those areas, your PMO must be staffed with experienced professionals. Staffing the PMO with senior team members who possess critical skills will go far toward the perception of your PMO as a “value creator,” and not merely overhead.

Remember that your PMO’s potential is limitless. As in the case of most organizational entities, however, there are many variables that come into play. When it comes to the value of the PMO, these can range from corporate culture to maturity levels, and from strength of personnel and level of responsibility to the perceptions of others. In the end, the value of your PMO will be what you make of it.

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