





Four Steps to a Stronger PMO

The goal is contributing business value.

BY SARAH FISTER GALE

Project management offices (PMOs) completed an average of US\$100 million worth of projects in 2012 and delivered roughly US\$71 million in value in increased revenue and cost reductions. Yet only one-third of PMOs say they've realized their full potential in contributing business value to their organization, according to PMI's *Pulse of the Profession*TM *In-Depth Report: The Impact of PMOs on Strategy Implementation*.

Time may be one factor in a PMO's power: Established PMOs deliver projects with higher quality and greater business success, according to a PwC survey. The longer these PMOs are around, the stronger they become—and the more successful the projects under their umbrellas. PMOs in place for six years or more report that 62 percent of projects achieve the intended business benefit and 74 percent of projects are deemed high-quality, the PwC survey says.

Yet tapping a PMO's full potential takes far more than simply throwing open the doors and waiting.

"A successful PMO needs to deliver business value, not only to be respected but also to show its worth," says Claudio Barbosa Rodrigues, PMP, PMO manager for SAP implementation at mining company Vale, Rio de Janeiro, Brazil. To demonstrate that value, consider this step-by-step guide to strengthening the power of a PMO.



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Hone the Mission

It sounds so obvious, yet it's easy to overlook: A PMO without purpose is more likely to founder than flourish.

"The main purpose of a PMO isn't just to provide reports. The main goal is to be the strategic driver of company goals, to deliver business value," says Mr. Barbosa Rodrigues.

Whether building or revamping a PMO, "first, do an audit of everything going on," says Tara McLaren, head of the PMO for markets and international banking at the Royal Bank of Scotland, a PMI Global Executive Council member, London, England. In the Pulse in-depth report, 51 percent of respondents agreed that aligning projects with strategic objectives has the greatest potential for adding value to organizational activities.

To assess that alignment, the PMO staff should start with a detailed audit of everything going on. Review the current portfolio, also taking an inventory of each project's progress, earned value, obstacles and the anticipated ROI.

Armed with this inventory, the PMO leaders should meet with members of the executive team to report the findings and discuss how the organization's goals should shape the PMO's purpose moving forward. If the strategic goals are to increase revenues or cut division costs, for instance, any revisions to the PMO charter will be very different than if the organization is focused on consolidating systems, expanding into new markets or improving quality outcomes, says Ms. McLaren.

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"Once you know what the business wants to achieve next, you can show the executive team how the PMO can help do it."

Last June, the executive team at the Royal Bank of Scotland set a goal of cutting the IT budget in half while still delivering the same number and quality of projects. Ms. McLaren responded by creating a project business case for moving all of the globally dispersed non-customer-facing IT team members to the bank's IT center in India. She showed the executive team different project scenarios, identified near-term opportunities to cut costs over the next six months and made a long-term plan for hitting the new budget targets.

"A good PMO is a problem solver," she says. "If you can come up with ways to help your company resolve issues and save money, you'll get the support and authority you want."

Marrying the PMO's purpose to the organization's strategy means executive leaders are more likely to seek out the PMO for upfront guidance, says Jonathan Price, PMP, account PMO start-up lead for HP Enterprise Services, a PMI Global Executive Council member in London, England. "When a PMO is 100 percent aligned with the organization's goals, its leaders can indicate which are the most valuable programs and projects in terms of company ROI and resource capacity," he says. "This helps the organization avoid waste by not focusing on non-priority programs and projects."



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Set the Standards

Standardized practices, tools, training and governance reduce risk, while key performance indicators (KPIs) measure project outcomes and increase the resulting earned value. Those processes are all a vital part of the PMO's value proposition. "The PMO's ROI comes from the fact that they establish consistent project metrics, align projects with strategic goals and use a shared project management resource pool effectively," says Jayant Patil, PMP, global head of program management group for Quinnox Consultancy Services, Mumbai, India. "But it's not enough to go off the guidelines and templates—PMOs have to demonstrate how they connect to business value to be respected."

In some ways, that's easiest to prove on troubled projects, says Mr. Price, as standardized processes make it easy to flag and course-correct a project in peril. "That's the benefit to sell—the ability to intervene early and have processes move struggling projects from amber to green instead of red," he says.

Setting and assessing standards doesn't stop once the project's over. More than 60 percent of high-performing PMOs—ones that complete 80 percent or more of projects on time, on budget and within the original business goal—assess project quality and collect feedback from the project owner, compared with only 33 percent of lower-performing PMOs.

HOW TO MAKE A PMO MORE EFFECTIVE

A BETTER UNDERSTANDING OF PROJECT MANAGEMENT THROUGHOUT THE ORGANIZATION



A MORE STRATEGIC ORIENTATION AMONG PROJECT OWNERS AND STAKEHOLDERS



BETTER ALIGNMENT OF PROJECT REQUESTS AND ORGANIZATIONAL STRATEGY



INCREASED ENGAGEMENT WITH SENIOR LEADERS



Source: PMI's Pulse of the Profession™ In-Depth Report: The Impact of PMOs on Strategy Implementation



Step by Step

“Of the four initial managers at the PMO here, I took the lead on bringing in the project portfolio management tool. We had a very limited budget, so we chose something basic. It turned out well. I don't think the organization was ready for some of the more sophisticated tools, and with this one we were able to set a good base. In reality, we needed baby steps. The company was not ready culturally for all that a PMO could require.”

I don't run into too many businesspeople who don't understand what a project is. It's still common to encounter people who don't understand the bigger picture, like project portfolio management. Now that we've established the PMO and got people working within a project culture, the areas that are becoming extremely important are for the business to understand its role in prioritization, and ensuring IT is working on the highest-priority projects. Looking forward, we need to do a better job at portfolio management and better engaging senior management.”

Mary Shy is PMO manager at Omnicare, Cincinnati, Ohio, USA.



Power Needs Purpose

“People, at least here in Brazil, still think of project management offices as an area for reporting indicators. That can be an important area, but the PMO’s main purpose isn’t just to provide reports. PMOs should train project managers, should look for ways to build the portfolio and should help evolve the project management within the organization to really deliver on strategic business goals.

What I see is that too often PMOs are created without clear goals established and without a link to strategic objectives. Maybe the PMO was created because it is in fashion. Or maybe a director sees someone else running a PMO and has the wrong perception and establishes the PMO without linking it to what it needs to deliver. That’s why we have a considerable mortality rate of PMOs in Brazil. Companies understand that PMOs are important, and during this economic cycle where we all need to be more efficient, there is an increased need for organizations to utilize PMOs. But if the objectives are not clear, the company isn’t able to justify why the PMO exists during a budget crisis.

Once organizations get better at setting objectives and PMOs are able to meet them, it will become more stable. That’s a level I see us reaching in Brazil in the next couple of years.”

Claudio Barbosa Rodrigues, PMP, is the PMO manager for SAP implementation for Vale in Rio de Janeiro, Brazil.

3 Cultivate Support

The most effective PMOs have powerful supporters at the executive level, championing the value of project management and imbuing the PMO with both responsibility and authority.

In the best-case scenario, these executives are the ones who initiated the PMO’s creation. But PMO leaders who aren’t lucky enough to inherit strong executive support have to woo the executive team to their way of thinking, says Dennis Schwabe, PMP, corporate PMO manager for chemical products manufacturer Fritz Industries, Mesquite, Texas, USA. “You have to make sure leaders understand what project management is about.”

In PMI’s in-depth PMO report, 43 percent of respondents said that a better understanding of project management throughout the organization would make the PMO more effective. More than one-third of survey respondents said increased engagement with senior leaders would make the difference.

If executives haven’t had the experience of understanding and working with a strong project management methodology, they can’t be criticized for not understanding its value to the business. But they can be educated, Mr. Schwabe says. “A strategic project management course for executives would help them understand how governance, training, metrics and the right project management skill set will add strategic value to the organization in meeting their corporate objectives.”

Even a brief presentation with a few key statistics on the cost savings and time savings the PMO could deliver can make a powerful impact on reluctant executives. During the presentation, PMO leaders should leverage examples of past projects with cost overruns or missed schedules that could have been prevented with a PMO, suggests Mr. Price. “Build support by selling the PMO’s plan to stakeholders who have the influence to support you,” he says. “If you can show them how spending £100,000 can abate £2 million, that is a powerful benefit proposal.”

And don’t let the conversation stop once the PMO is off the ground. It’s not enough to copy the executive stakeholders on status reports or give them a dashboard of project progress. “PMO leaders have to speak to executives in their language,” says Ms. McLaren. “Use a concise and non-technical manner.”

Depending on the reporting level, she limits executive communiqués to the following:

- High-level status reports on all projects
- Additional information about any project that’s troubled, including potential mitigation strategies
- Key achievements to date
- Resource updates and forecasts
- Milestones that have been achieved or are on the 30-day radar, including a review of the business benefits linked to those milestones.

“Only communicate very high-level business deliverables, rather than long and drawn-out minor details,” she says. Executive stakeholders will appreciate the focused approach and are more likely to engage with the information—exactly what a PMO needs to strengthen support.



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—Jayant Patil, PMP, Quinnox Consultancy Services, Mumbai, India



WHY ARE HIGH-PERFORMING PMOs MORE EFFECTIVE?

PMOs that complete at least 80 percent of projects on time, on budget, and meeting goals and business intent are focused on:

- Creating an organizational culture of project management
- Assessing PMO performance continually
- Evolving and improving through knowledge management and change management

Source: PMI's Pulse of the Profession™ In-Depth Report: The Impact of PMOs on Strategy Implementation

4 Keep Eyeing the Horizon

If projects are consistently on time and within budget, customers are happy and milestones are met, some executives may doubt the need for a PMO. Combine that doubt with a directive to cut costs, and suddenly the high-performing PMO finds itself on the chopping block. Mr. Price has witnessed several occasions over his career when executives dismantled PMOs for budget reasons, only to have projects fall apart in the wake of that decision.

To avoid this scenario, PMO leaders can't become complacent, he says. "You have to continually monitor your impact." That means tracking KPIs, including project outcomes, added efficiencies, financial benefits and quality results. "KPIs will show whether the PMO is effective," he says. "If you are measuring and reporting those KPIs, the value should be obvious."

Seventy-seven percent of high-performing PMOs are routinely involved in results monitoring and assessment, according to PMI's Pulse in-depth report.

And if the KPIs aren't showing results, the PMO needs to make changes. Mr. Schwabe encourages PMO leaders to re-evaluate business objectives annually to ensure the office is meeting the charter's goals and that the goals are still relevant to the business. "You want to be sure you are going in the right direction and that you are still aligned with corporate strategy," he says. Because if things have changed—a new CEO or a shift in business priorities—the PMO needs to change along with them, he says. "Corporate strategy must drive the PMO, so the PMO can drive success." **PM**



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