

contract proposals and utilize these funds to increase investment into R&D. The company had finally realized that the success of the corporation was primarily attributed to the selection of the proper general manager. However, this had been accomplished at the exclusion of proper control over R&D efforts. A more lasting problem still existed, however. Program management was still less developed than in most other corporations.

### Questions

1. How should Acorn organize now, considering both their commercial business and their growing government business?

2. How can Acorn quickly increase its project management maturity?
3. What should Acorn do about the KMIP incentive program?
4. Should the functional or project managers be responsible for performance evaluations? How should Acorn handle the positive evaluation bias by PMs?
5. As Acorn continues to grow, should it consider adopting a matrix structure?
6. How should Ken Hawks proceed now? What should he do first, and then what should follow?

The following reading responds to the current trend in organizations to institute PMOs for any of a variety of reasons. Without careful planning and clear direction, the viability of every PMO can be in jeopardy, and, once having failed, will probably never be reconsidered. Although the insights are presented in a chronological order, all four of the recommendations should be followed constantly, whether a new PMO or one with a long history of successes.

## Reading

### Four Steps To A Stronger PMO<sup>3</sup> S. F. 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™ 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.

#### 1. Hone the Mission

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

"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 of quality 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.

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