

Do You Need a PMO?

by Samuel Greengard

A high failure rate is just one sign it may be time to establish one

Starting a strategically oriented PMO has many benefits: Major strategic initiatives get the time and attention they need to deliver their full value—without disrupting ongoing business. Close partnerships with senior leaders allows the PMO to play an active part in strategic planning and support execution. Business outcomes improve, and core competencies and consistent objectives are used across industries and regions. But for organizations first weighing the pros and cons of launching a PMO, the tactical benefits can also be enticing. “Many companies are looking to create an infrastructure that helps program and project managers stay connected,” says Margot Nack, PMP, senior program manager at Adobe Systems, a PMI Global Executive Council member, San Jose, California, USA. “They want to steer clear of the idea of ‘every project team for itself.’ A PMO introduces structure to all the projects taking place within a company or agency. It creates a level of coordination and consistency that otherwise wouldn’t exist.” Organizations are increasingly looking to PMOs for greater consistency, efficiencies and better management of costs. Nearly seven out of 10 organizations have a PMO, up from six out of 10 in 2006, according to PMI’s 2013 Pulse of the Profession™.

“PMOs ensure good governance,” says Antti Kämi, PMP, vice president of project management at Wärtsilä, a Helsinki, Finland-based provider of power solutions for the energy and marine markets and a PMI Global Executive Council member. “They improve success rates and, in turn, boost business results and profitability.” But just creating a PMO doesn’t achieve those goals. About one-third of all PMOs fail to accomplish their desired results, according to PwC. To capitalize on the PMO promise, an organization must first determine whether and when it needs one.

“If a company is not a project-oriented organization, there’s less of a need for a PMO,” says Mary Hubbard, PMP, director of the PMO at Siemens Government Technologies Inc., Arlington, Virginia, USA, a PMI Global Executive Council member. “If they’re project-focused, though, they should have one. Otherwise, who’s driving the delivery of their projects? Who’s establishing their methodology? How are they managing resources efficiently? It’s hard to answer those questions unless you have a central location.” Revenue and head count are less important factors than the number of projects in an organization’s portfolio, says James Gradisher, PMP, PMO manager of the U.K. Ministry of Defense, West Sussex, England. “Any company that does more than a handful of projects should look into the possible value of a PMO,” he says. “When you get beyond a certain point with the number of projects that are underway, there starts to be the need to get a little control over them.” Picking Up on Cues A lack of project transparency. Significant discrepancies in project results. Poor customer-satisfaction rates. An inability to cost projects accurately. A high percentage of delayed or canceled projects. High failure rates. These are all telltale signs it may be time to establish a PMO, says Mr. Kämi, whose company, Wärtsilä, has had a PMO since 2007. Often, he says, projects lacking PMO oversight “are started without real ownership, there’s not a clear business case, and there’s a lack of visibility into which projects are ongoing and how projects are performing.” A project management maturity assessment can compare internal metrics and key performance indicators with industry averages or compare a project’s performance with that of other departments or divisions within a company. That sort of internal audit may inform the decision of whether or not to start a PMO, says Mr. Kämi. The PMO’s potential structure and place on the organizational chart are other weighty factors to consider. PMOs that complete 80 percent of projects on time, on budget, and meeting original goals and business intent are nearly twice as likely to report directly to the CEO, according to PMI’s Pulse of the Profession™ In-Depth Report: The Impact of PMOs on Strategy Implementation.

A PMO may mean shifting roles and responsibilities—at least for functions that intersect with the new office. A PMO team may need to consult with a range of departments, including human resources, finance, legal and operations, to build workflows and incentives that address organizational challenges and create a governance

structure. Without that structure, organizations likely will encounter the very same problems faced by projects handled on an ad hoc, one-off basis. Banding Together As projects multiply within an organization, so do the chances of project polyglot: each speaking its own language, doing its own thing. A PMO helps break down silos and departmental boundaries. “It’s a place where you’re actually pulling people together from different functional groups to achieve a single objective,” says Natalie Dance, PMP, managing director, Excel in Change Consulting Inc., Toronto, Ontario, Canada. “It helps eliminate turf battles.” Adobe’s PMOs are testament to that benefit: “Before establishing PMOs, it was often a case of ‘every product team for itself,’” Ms. Nack says. Now Adobe operates dozens of PMOs across the enterprise, using them to create a more agile and integrated development environment. “When you have program and project managers working together and staying coordinated about what they’re doing with their products and what features they’re developing, it’s possible to build qualitatively better products.”

Leading the Way While PMOs can provide substantial benefits, they can’t do so without leadership buy-in. Thirty percent of PMO directors feel that one of the top reasons that the PMO’s value isn’t realized is a lack of understanding by business executives as to the best use of the PMO, according to PMI’s Pulse of the Profession™ In-Depth Report: The Impact of PMOs on Strategy Implementation. “Senior management from the board down should be involved in the PMO’s strategic development,” says Petra Tyers, strategic PMO manager for the Victorian Government in Sydney, Australia. Executives at Adobe examine projects and groups of projects to determine whether a new PMO is desirable—or required, Ms. Nack says. “It’s important to constantly examine and analyze projects and organizational requirements in order to build an optimal project management environment,” she says. Senior-level executives must understand why a PMO exists and how it changes the overall framework for project management, Ms. Tyers says. If they aren’t able or willing to fully support the PMO, then it might be wise to focus on improving basic project management performance and cost structures, she explains.

But if they do offer support, a PMO can transform their organization—boosting efficiency, speeding project completion and trimming costs. “It creates a level of coordination that is difficult to achieve on an ad hoc project management basis,” concludes Ms. Nack. “There’s more clarity, there’s greater strategic focus, and there’s a greater ability to coordinate projects efficiently.”