— Executive Summary —

The State of the PMO

2007-2008

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Contents

PMOs: Growth and Expansion

Over the past decade, the Center for Business Practices has been involved in gathering data on project management trends from survey research, literature research and from action research such as our Project Management Benchmarking Forums. In that time, we have seen a steady vertical climb in the indicators of organizational influence for project managers and project management. Nowhere is this increased influence more notable than in tracking the prevalence and roles of the Project Management Office.

For example, in our 2000 *Value of Project Management* study, only 47% of the respondents had implemented a project office of any type. By 2006, 77% of the respondents to our *Project Management: The State of the Industry* survey had implemented PMOs; of those, 35% had an enterprise-level (or "strategic") PMO. This year, 54% of the respondents reported having an enterprise-level PMO in place. Even factoring in the differing research objectives of these studies, the upward trend is unmistakable, both in sheer numbers of PMOs and in the rising organizational clout.

Yet questions remain. Top project management leaders in many companies are still struggling with verifying the value of their PMOs. The results from this study suggest that merely implementing a PMO is not a panacea. Instead, it is PMO *maturity* that makes a difference to the organization. As PMOs become more mature, our data suggests, organizational success metrics improve. In addition, the mature PMO takes on more roles—in both portfolio management and people management, thus elevating its value to the organization.

Key Findings

PMO Maturity

PMO Maturity is rated on a scale from Level 1 to 5 (immature, established, grown up, mature, best in class)

Organizational Performance by Level of PMO Maturity
Level 1   Level 2   Level 3
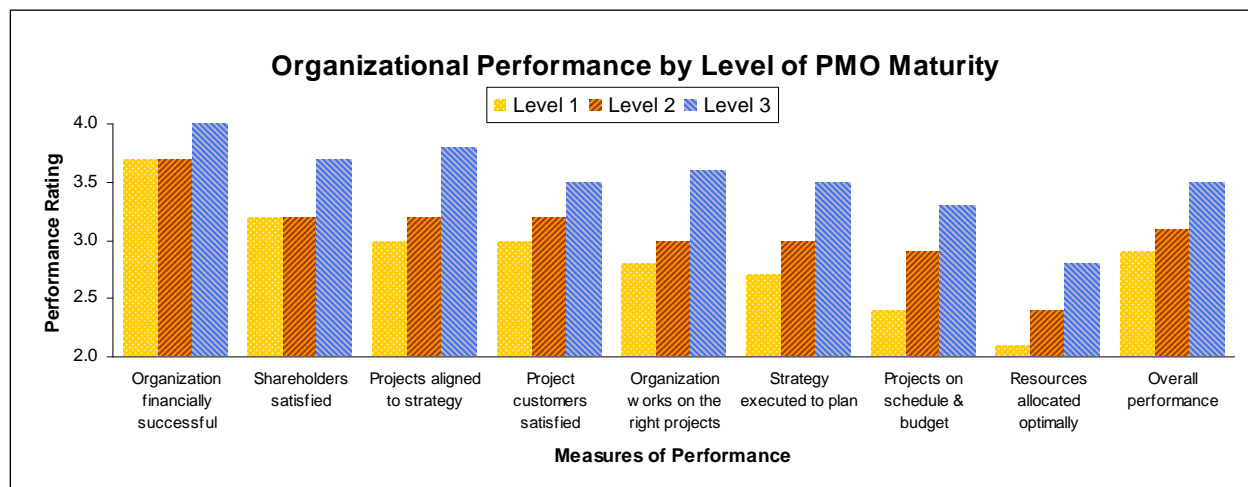
- There is a strong correlation between organizational performance and the maturity of PMOs. Mature PMOs show significant improvement in organizational performance. "Performance improvement" is defined as rating higher on a scale of 1-5 on how well the organization performs in the eight measures of performance listed in the chart above (only Levels 1-3 are listed because too few Level 4-5 PMOs responded to draw accurate conclusions).

- There is a strong correlation between Level of PMO maturity and organizational performance. Organizations with PMOs show significant improvement at each Level of PMO maturity.
  - 6.2% overall performance improvement from PMO Level 1 to Level 2
  - 14.6% overall performance improvement from PMO Level 2 to Level 3
  - 10.5% overall performance improvement from PMO Level 3 to Level 4

- Just having a PMO does not lead to performance improvement. It isn't until the PMO becomes more mature that improvement occurs, but that improvement is steady and significant.
  - Organizations with PMOs at Level 2 maturity and higher show 3% overall performance improvement compared to those organizations with No PMO
  - Organizations with PMOs at Level 3 maturity and higher show 11% overall performance improvement compared to those organizations with No PMO
  - Organizations with PMOs at Level 2 maturity and higher show 8% budget/schedule performance improvement compared to those organizations with No PMO
 - Organizations with PMOs at Level 3 maturity and higher show 16% budget/schedule performance improvement compared to those organizations with No PMO

- As PMOs mature, they are significantly better at meeting critical success factors, including having effective sponsorship, accountability, competent staff, quality leadership, and demonstrated value

- As PMOs mature, they have significantly fewer challenges, including stakeholder acceptance, appropriate funding, demonstration of value, role clarification, conflicting authority, and consistent application of processes

- As PMOs mature, they are more likely to staff professional planners, schedulers, and controllers.
  - Level 2 PMOs have 14% more planners, schedulers, and controllers than Level 1 PMOs
  - Level 3 PMOs have 24% more planners, schedulers, and controllers than Level 2 PMOs
  - Level 4 PMOs have 70% more planners, schedulers, and controllers than Level 3 PMOs

High-Performing Organizations vs. Low-Performing Organizations

High-performing organizations rank in the top 25% in overall organizational performance based on ratings in 8 measures of performance (strategy execution, shareholder satisfaction, customer satisfaction, budget/schedule performance, financial performance, resource allocation, strategic alignment, portfolio performance). Low-performing organizations rank in the bottom 25%. See "On Performance and Value" p. 43.

- High-performing organizations are more likely to have an enterprise PMO (65.8% of high-performing organizations have EPMOs compared to only 48.6% of low performing organizations)

- PMOs have been in place 29% longer in high-performing organizations (4.5 years) than in low-performing organizations (3.5 years)

- High-performing organizations are 30% more likely to have steering committees (64.9%) than low-performing organizations (52.1%)

- PMO functions performed significantly more by high-performing organizations include strategy formulation, portfolio risk management, benefits realization analysis, contract preparation, outsourcing, project opportunity process development, resource assignment process development, management of a staff of project planners/controllers and business relationship managers, and resource identification and optimization.

High-Performing Organizations Demonstrate Far Less Negative Impact to PMO's Effectiveness
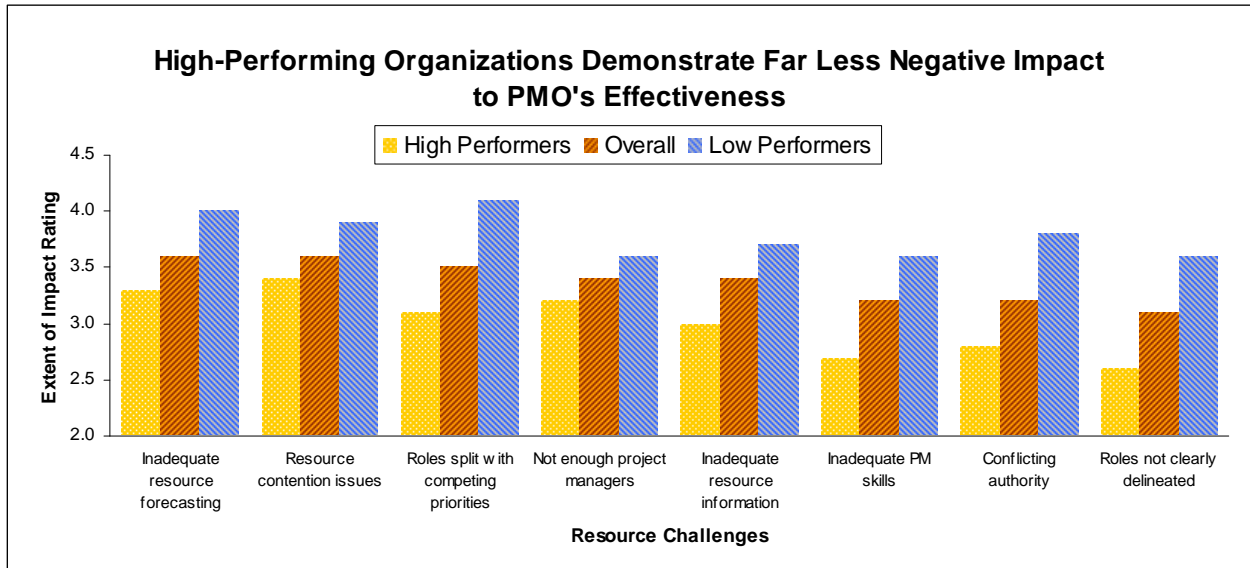
- Low-performing organizations are impacted significantly more by challenges than high-performing organizations, including conflicting authority (36% more), role splitting with competing authority (31% more), roles not clearly delineated (42% more), lack of a project management career path (24% more), inadequate opportunities for professional development (25% more), and inadequate project management skills (31%). The respondents were asked to rate the impact of the resource challenges listed in the chart above on their PMOs on a scale of 1 (not at all) to 5 (to a great extent).

- High-performing organizations outsource 135% more often than low performing organizations.

- High-performing organizations evaluate project manager and team competency significantly more often than low performing organizations.

- There is no correlation between project managers reporting to the PMO (as opposed to them just being supported by the PMO) and organizational performance.

- High-performing organizations have larger PMOs (30% more staff) and rely on more specialized roles (they have more staff performing those roles), including mentors (136% increase), team leads (467% increase), planners (147% increase), controllers (116% increase) and relationship managers (698% increase).

- PMOs at high-performing organizations are 66% more mature than at low performing organizations (average level of maturity is 2.9 vs. 1.7)

General Observations

- Organizations average (median) 31 projects per year. Organizations with a PMO work on more projects per year (38) than those without a PMO (18).

- PMO budgets range from 0 to $50 million a year (with a median average of $600,000). The PMO budget is on average, 1.7% of the organization's budget (median).

- The average PMO has 8.0 people reporting to it (the range of PMO size is huge—from a single person to more than 100). Also, older PMOs have significantly more staff (those 5+ years old average 16.5 staff vs. 8.0 overall).

- Fully 70% of PMOs have training goals for their staff. And PMOs in high-performing organizations are far more likely than those in low-performing organizations to have training goals (79.7% vs. 60.6%).

- The top two issues PMOs struggle with are forecasting the need for resources and resolving resource conflicts.

- Governance issues top the list of PMO challenges: companies lack the compliance structure to make project management processes consistent throughout the organization, and project leaders still labor under conditions where responsibility and authority are not allied. But as PMOs age and mature, they have fewer challenges and are significantly better at meeting all challenges listed.

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Research Methodology

Statement of the Problem

The project management office is becoming the central organizational structure for standardizing the practices of the organization in the delivery of their projects. PMOs vary in size, function, value and many other factors. The Center for Business Practices surveyed a broad spectrum of organizations to get a clearer understanding of the variety of factors that affect PMO, including the following:

- Do organizations have PMOs?

- Where do PMOs fit in the organizational structure?

- How many projects are managed, rather than supported, by PMOs?

- What functions are performed by PMOs?

- How large are PMO staffs?

- What are the primary challenges facing PMOs?

- What value does a PMO add to the organization?

- Is there a difference between PMOs in high-performing organizations and PMOs in low-performing organizations?

Research Approach

An invitation to participate in a web-based survey on The State of the PMO was sent to the mailing list of the Center for Business Practices (senior project management practitioners). Responses to the survey were received by June 1, 2007. Four hundred thirty five responded to the survey. Those who responded "No" to the question, "Does your organization have a project management office?" did not answer the questions regarding PMOs and were directed to answer questions in the final section of the survey on Performance and Value in order to compare those organizations with PMOs to those without. Three hundred twenty five of the respondents had PMOs.

Notes on Reading the Survey Findings

This benchmarking survey charts the results of the responses to the questionnaire on The State of the PMO shown on page 76. The survey questions were divided into six categories:

- Survey Respondents

- PMO Size. Scope, and Complexity

- PMO Services

- PMO Staffing and Project Managers

- PMO Challenges and Critical Success Factors

- Performance and Value

"Observations" are the results of our analysis of the data.

"Summary Results" list average responses to the survey questions, ranges of responses, and average rankings on Likert scales. Averages reported are mean averages unless otherwise noted. Occasionally we will report median averages when there are extreme values that could greatly influence the mean and distort what might be considered typical. The mean is the arithmetic average, the average most often used for a series of numbers — add up the numbers and divide by how many there are. The median is the number in the middle. In order to find the median, put the values in order from lowest to highest, then find the number that is exactly in the middle. The range is the difference between the lowest and highest values. Rankings are based on Likert scales, where respondents specify their level of agreement to a statement (on a scale from 1 to 5).

"Cross Tabulations" are used to compare two variables. We list those cross tabulations that showed significant differences between those variables. In this survey the following cross tabulations have been calculated:

- With and Without a PMO: Comparing responses between those organizations that had PMOs and those without and then comparing them with the averages for all organizations

- By Company Size: Comparing responses between small (annual sales <$100M), medium (annual sales $100M-$1B), and large (annual sales >$1B) organizations and then comparing them with the averages for all organizations

- By Industry: Comparing responses between finance and insurance, information, manufacturing, and professional services organizations, and then comparing them with the averages for all organizations

- By PMO Age: Comparing responses between organizations with PMOs 0-2yrs old and PMOs 5+yrs old and then comparing them with the averages for all organizations

- By PMO Type: Comparing responses between respondents who are reporting on Enterprise PMOs versus IT PMOs and then comparing them with the averages for all organizations

- By Performance: Comparing responses between high-performing organizations (those scoring in the top quartile of responses to the performance questions) and low-performing organizations (those scoring in the bottom quartile of responses to the performance questions) and then comparing them with the averages for all organizations

- By Level of PMO Maturity: Comparing responses between organizations with PMOs ranked at maturity Level 1, Level 2, and Level 3 (based on responses to the level of PMO maturity question) and then comparing them with the averages for all organizations

CBP Research Reports

The CBP conducts original research to help organizations realize maximum benefit from their projects. Research reports cover a wide range of topics and are available from the CBP website: www.cbponline.com. Available reports include:

The State of the PMO: 2007-2008

$95.00, © 2007, PDF for download, 57pp.
PMOs are becoming standard practice in most project-based organizations. This latest research from the Center for Business Practices uncovers a fascinating array of key findings on: PMO maturity; high-performing organizations vs. low-performing organizations; PMO size, scope, and complexity; PMO functions and services; PMO staffing and project managers; and PMO challenges and critical success factors.

Strategy & Projects

$95.00, © 2006, PDF for download, 104pp.
High-performing organizations integrate strategy execution, portfolio, program, project, and performance management best practices more than other organizations. Conversely, low-performing organizations consistently underutilize these best practices. These conclusions are among the results of this survey research by the Center for Business Practices.

Project Management Maturity Benchmark

$95.00, © 2006, PDF for download, 89pp.
This research shows clearly that organizational and project management performance is linked to reaching higher levels of maturity and shows what distinguishes high-performing organizations from low-performing ones. Also, results from a similar survey conducted in 2001 were compared with the current results to see whether or not there has been improvement over time in project management maturity industry-wide and, if so, how much.

Troubled Projects: Project Failure or Project Recovery

$95.00, © 2006, PDF for download, 83pp.
In this latest survey of senior project practitioners, the Center for Business Practices investigated the extent to which projects are troubled and recovered, the symptoms and root causes of the troubled projects, and the types of project recovery efforts and their outcomes.

High-Performance Project Teams

$95.00, © 2006, PDF for download, 138pp.
This research, sponsored by ProjectWorld, investigated whether or not organizations that exhibit team building best practices are, indeed, high performing, to confirm whether or not the practices identified are really "best practices," and to identify those practices that are most critical to the success of the organization.

Project Portfolio Management Maturity Benchmark

$95.00, © 2005, PDF for download, 89pp.
These research results document the maturity level of organizations in six components of project portfolio management: portfolio governance, project opportunity assessment, project prioritization and selection, portfolio communications management, portfolio performance management, and portfolio resource management. The report documents PPM maturity in a way that organizations can use to perform a self-assessment and compare their maturity to this baseline.

About the Center for Business Practices

The Center for Business Practices is a knowledge center created to capture, organize, and transfer business practice knowledge to project stakeholders in order to help them excel in today's rapidly changing business environment.. The CBP promotes effective strategy execution through sound portfolio, program, project, and performance management by capturing best practice knowledge and integrating it into actionable, fact-based information: research, publications, and benchmarking events.

CBP Research

The CBP conducts original research to help organizations realize maximum benefit from their projects. Research reports cover a wide range of topics, including strategy & projects, project portfolio management, project management offices, project management maturity, the value of project management, project management training, project control functions, high-performance project teams, troubled projects, and more.

CBP Summit: Strategy & Projects

The annual CBP Summit is a dynamic conference that analyses current management issues through presentations, panel discussions, and open forums led by industry leaders and senior practitioners. The summit focuses on Strategy & Projects and the integration of portfolio, program, project, and performance management practices for effective strategy execution. The Summit also features the PMO of the Year Awards ceremony. For more information visit www.cbponline.com.

CBP Benchmarking Forum

The CBP Benchmarking Forums are facilitated two-day structured exchanges of best practice knowledge among senior practitioners. Each forum focuses on a particular set of best practices, such as change management, project management office, government project management, project portfolio management.

CBP Books and Online Store

The CBP publishes books through the internationally respected publisher, Taylor & Francis Group (including various imprints: Auerbach Publications, CRC Press, Marcel Dekker) and publishes books under the CBP imprint as well. Current titles include *Seven Steps to Strategy Execution, The Strategic Project Office, Project Management Maturity Model, Optimizing Human Capital with a Strategic Project Office, Project Portfolio Management Maturity Model, Project Portfolio Management, Advancing Organizational Project Management Maturity, Managing Multiple Projects,* and others.

The CBP also reviews and sells the best literature on the market for understanding how to manage the organization and its projects effectively. For more information or to order, visit the online store at www.cbponline.com. The store also features online training courses and event registrations.

Best Practices e-Advisor

The *Best Practices e-Advisor* is a free, monthly e-mail newsletter that provides succinct pointers to practices that help organizations better manage their strategy, projects and business processes.

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