



The State of the Project Management Office (PMO) 2016

Enabling Strategy Execution Excellence

Introduction

PM Solutions Research first surveyed organizations about their Project/Program Management Office (PMO) practices in 2007. In our latest survey, we've taken another look at the PMO, which has become the central organizational structure for standardizing the practices of companies in the delivery of their projects. This research will help us understand PMO trends pointing to solutions that will lead organizations to success in these complex, fast-changing times.



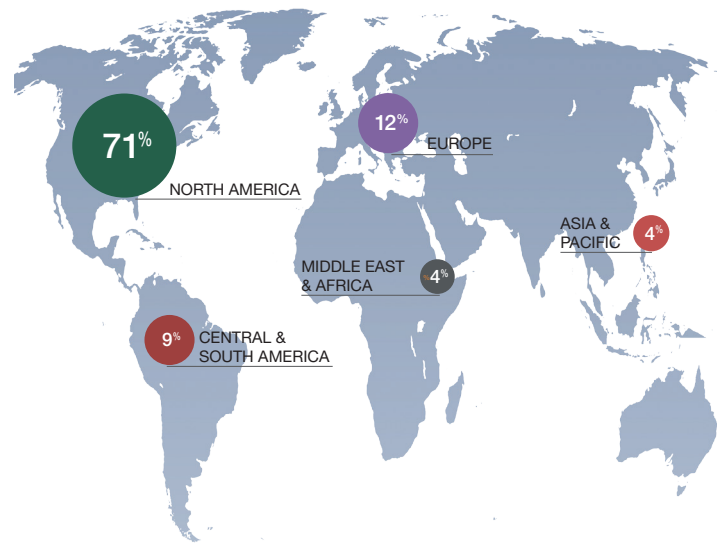
Organizations Participating

226

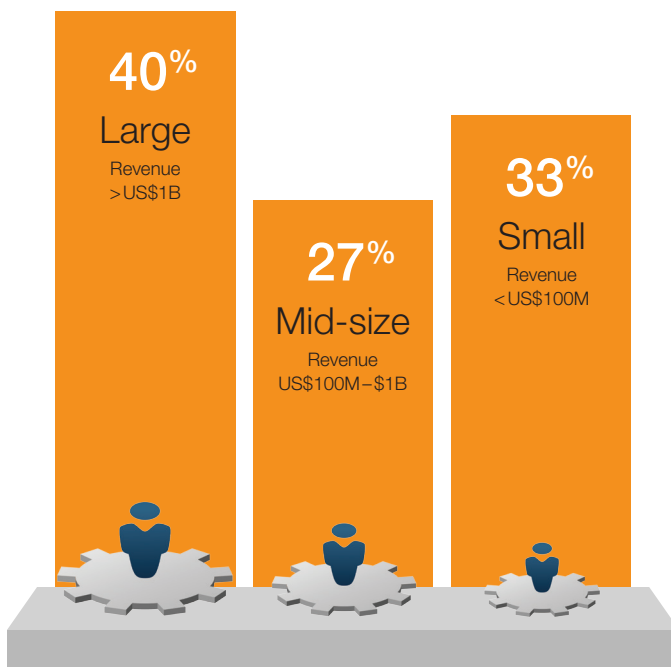
Respondents by Industry



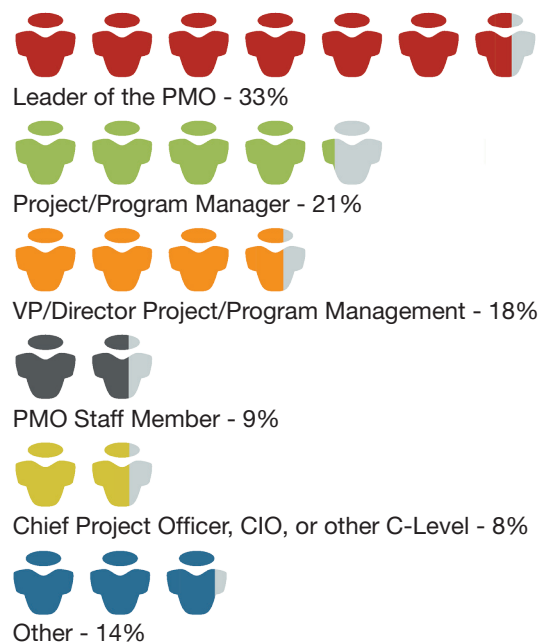
Respondents by Geography



Respondents by Size of Firm



Respondents by Title



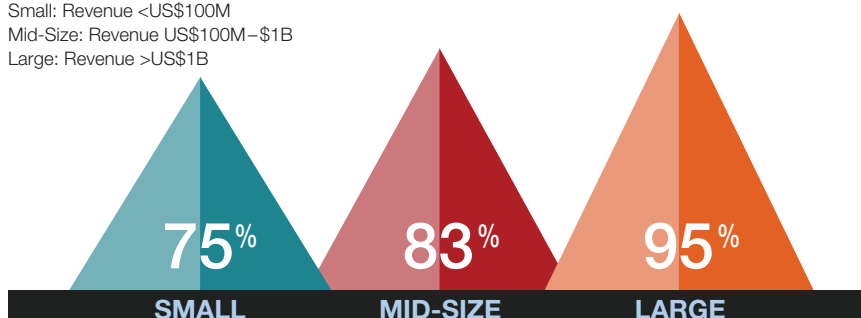
After A Decade, Mature PMOs Point the Way

IN THE FIFTH ITERATION OF OUR BIENNIAL STUDY, we find that PMOs have consolidated their position as a strategic partner in today's organizations. The majority of organizations either have PMOs or are planning to implement one in the coming year; and for those PMOs that have been in place for over five years, expansion of responsibilities and improvements in results are remarkable. Their value is rarely questioned by the organization, and they are more likely to engage in tasks that impact strategic planning, governance, and portfolio management. These more mature PMOs have an impact, not only on projects and programs, but on overall organizational success. As a group, their results provide an aspirational model for PMOs still finding their way.

- » PMOs have become a standard feature of the organizational landscape: 85% of respondents have a PMO, up 5% from our 2014 survey. And 30% of those without a PMO plan to implement one within the next year, the same as our 2014 survey. Professional services (70%) firms are less likely to have a PMO than other industries. There's a significant growth in the percentage of manufacturing firms that have PMOs (93% in 2016 vs. 78% in 2014).
- » PMOs continue to age – and with age comes wisdom. The average PMO is 5 years old (up from 4 years in 2014) with 56% being 5 years old and older (up from 47% in 2014). Still, 24% of PMOs are 2 years old or less (down from 30% in 2014). Most importantly, there is a direct and strong correlation between the age of the PMO and its capability. And PMOs in high-performing organizations are on average older than those in low performers (6 years vs. 3 years).
- » Most PMOs report to a Vice President or higher; 49% to the C-level.
- » In general, PMOs focus on project management and strategy execution functions, which makes sense. Implementing governance processes and PM standards and policies, aligning projects with strategic objectives, portfolio tracking, and coaching and mentoring are the top functions performed by the PMO.

Percentage of Firms with PMOs

Small: Revenue <US\$100M
Mid-Size: Revenue US\$100M–\$1B
Large: Revenue >US\$1B



Summary Findings

- » A majority of firms (85%) have a PMO in place.
- » PMOs are a strategic resource. Most report to a VP or higher; 49% directly to the C-level.
- » There is a direct correlation between the age of the PMO and its capability.
- » PMOs are now more likely to engage in tasks that impact strategic planning, governance, and portfolio management.
- » PMOs in high-performing organizations contributed a significantly higher percentage of value in all measures of performance.
- » More than half of PMOs use contracted resources to manage projects/ programs.
- » PMOs in high-performing firms are far more likely to have a training program in place.
- » PMO staffs are highly experienced (10 years) and almost half (45%) have PMPs.
- » There is a direct correlation between PMO capability and the value it contributes to the organization.

PMO Capability Defined

- » **Level 5: Best in Class**
Continuous improvement processes-practices used enterprisewide
- » **Level 4: Strategic**
Standard portfolio management processes-practices used enterprisewide
- » **Level 3: Institutionalized**
Standard PM processes-practices used across the enterprise
- » **Level 2: Established**
Standard PM processes-practices used consistently
- » **Level 1: Basic**
Basic PM processes-practices used inconsistently
- » **Level 0: None**
No formal PMO or one is under development

Organizational Performance Defined

High-performing organizations are defined by the extent they realise their organizational goals. Respondents rated their companies on a score from 1 to 5, where 1=to no extent and 5=to a very great extent on how well they met eight measures of organizational performance: strategy execution, shareholder satisfaction, financial success, schedule/budget performance, customer satisfaction, resource allocation, strategic alignment, project prioritization. High performers rank in the top 25% in overall performance. Low performers rank in the bottom 25%.

Value to the Organization

One of the unique aspects of this study is that it examines not only what PMOs do, but attempts to validate whether or not those functions impact both project/program performance and organizational success. We do this by measuring two distinct aspects of PMO and corporate performance:

PMO Capability

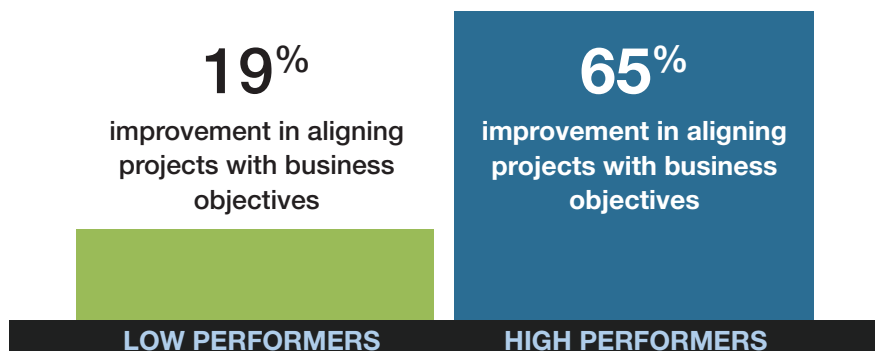
PMOs in the study were asked to rank their internal capability based on six levels of PMO capability (see PMO Capability Defined left). They were also asked to rate how well their organizations performed on each of eight measures of organizational performance based on a scale of one to five (see Performance Defined at left). We then averaged the ratings across all eight measures of organizational performance based on the level of PMO Capability – the results are shown in the chart on page five.

Organizational Performance

Respondents to the survey also rate their sponsoring organization on an array of performance measures (see Organizational Performance Defined at left). The resulting data allows us to sort respondents' organizations into two groups, High Performers (those that score in the top 25%) and Low Performers (those that score in the bottom 25%). Comparing the functions, results and challenges of these two groups provides an indication of the organizational value of PMO functions and capabilities.

- » The average level of PMO capability remained the same from 2014 to 2016 (2.1).
- » Unsurprisingly, PMOs in high-performing organizations rate much higher in PMO capability than those in low performers (2.8 vs 1.2).

High Performers Deliver Significantly Greater Value in Improving the Alignment of Projects with Business Objectives



- » PMOs in manufacturing organizations rate a lower level of capability (1.6) than those in other industries.
- » External-project-focused PMOs rate much higher than internal-focused PMOs (2.6 vs 2.0), primarily because of the larger number of Level 4/ Level 5 PMOs (18% vs. 4%).
- » The value and results the PMO has contributed in the past 12 months was slightly better than the value and results reported in the 2014 survey.
- » In general, PMOs in small organizations contributed a higher percentage of value in most measures of performance (except for cost savings per project).
- » In general, there is a direct correlation between the capability of the PMO and the value it has contributed to the organization over the past 12 months.
- » Again, unsurprisingly, PMOs in high-performing organizations contributed a significantly higher percentage of value in all measures of performance, especially in percentage improvement in projects aligned with business objectives (65% vs. 19%).

PMOs in high-performing organizations are, on average, twice as old as those in low performers (6 vs. 3 years)

PMO VALUE DELIVERED
33% Improvement in projects delivered under budget

PMO VALUE DELIVERED
27% Improvement in customer satisfaction

PMO VALUE DELIVERED
25% Improvement in productivity

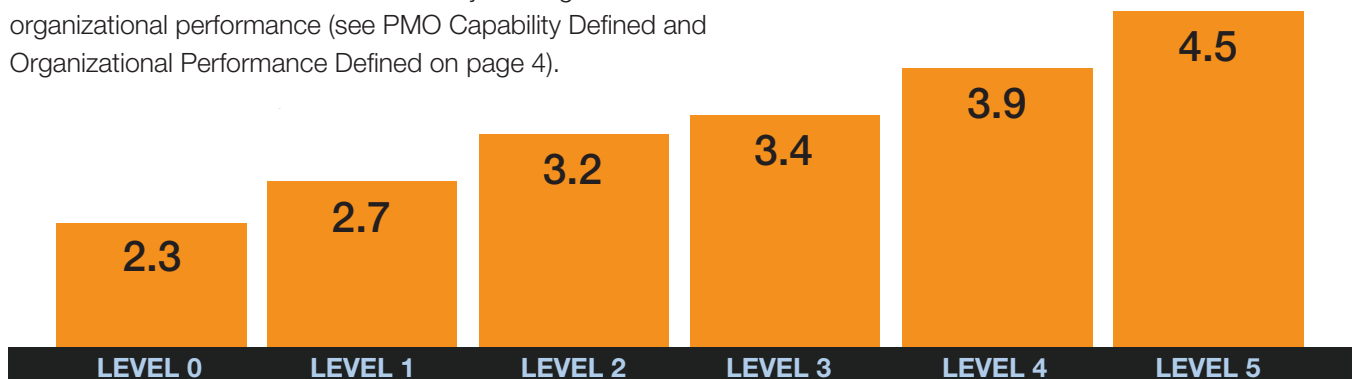
PMO VALUE DELIVERED
43% Improvement in alignment of projects with firm's objectives

PMO VALUE DELIVERED
25% Decrease in failed projects

PMO VALUE DELIVERED
\$175k Cost savings per project (in US Dollars)

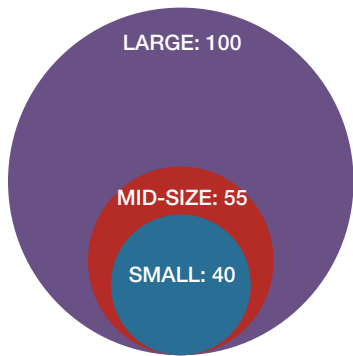
Greater PMO Capability Leads to Greater Performance

As the PMOs capability improves, the performance of the organization increases, based on a scale of 1-5 on how well they met eight measures of organizational performance (see PMO Capability Defined and Organizational Performance Defined on page 4).



Lessons from the Best

Three Ways Mature PMOs Deliver More Value



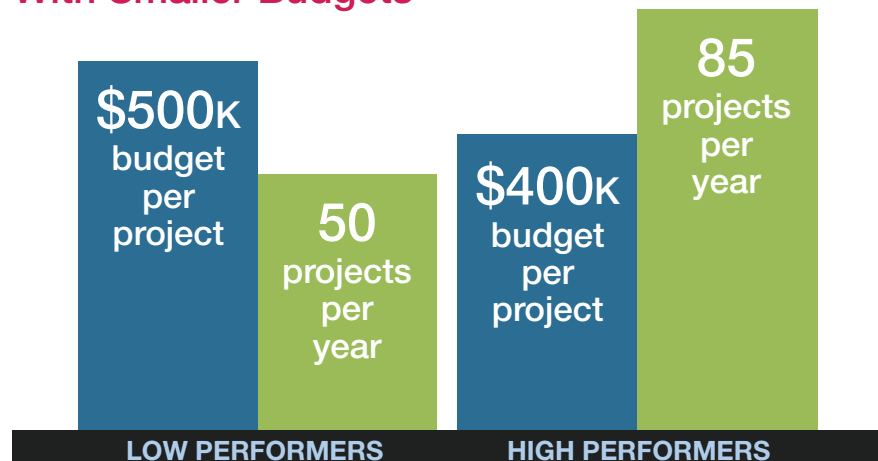
Average Number of Projects Worked On Each Year
BY SIZE OF ORGANIZATION

PMO Size, Scope, Complexity

In general, the greater the PMO capability the more projects it works on per year and the higher the budget per project. High-performing organizations work on significantly more projects per year (85) than low performers (50), and their budgets per project are smaller (\$400K vs. \$500K). This speaks to the more capable PMOs understanding that “chunking” programs into smaller, more manageable initiatives is a key way to reduce the impact of project failures. Indeed, high-performing companies report a much greater decrease in failed projects than low performers (28% vs. 17%). Greater agility in responding to project challenges may also play a role in this improvement, as 100% of Best-in-Class PMOs now report using Agile methodologies.

- » The average number of projects organizations work on per year (40/55/100) increases steadily and significantly from small to mid-size to large organizations.
- » The average budget per project (\$104K/\$500K/\$500K) is significantly smaller for small organizations.
- » The budget per project has gone down from 2014 (from \$430K to \$360K), but the number of projects an organization works on per year has gone up (from 60 to 75).
- » Information firms work on significantly fewer projects than organizations in other industries, with the lowest budget per project.
- » Although externally focused PMOs work on fewer projects per year (50) than internally focused firms (75), they have a higher budget per project on average (\$375K vs. \$360K).

High Performers Work on More Projects With Smaller Budgets



- » With an annual PMO budget averaging US\$500,000 and an annual project budget of US\$10 million, the PMO budget is 5% of the total project budget on average (median), up 0.6% from 2014.

Mature PMOs Excel in Managing Project Managers

Although companies are still somewhat split on whether or not project managers report directly to the PMO, the percentage of project managers who report to the PMO has gone up (from 42% in 2012 to 49% in 2014 to 52% in 2016). In general, the percentage of PMs who report to the PMO increases with the PMOs capability. More importantly PMOs in high-performing organizations have more project managers reporting to them than PMOs in low performers (68% vs. 53%).

- » In 29% of organizations, 100% of project managers report to the PMO, up from 26% in 2014.
- » And 25% of organizations have no project managers reporting to the PMO, up from 17% in 2014.
- » Small organizations are far more likely to have project managers report to the PMO (90%) than large (30%) or mid-size (70%) organizations.
- » Professional services organizations (which are more likely to be smaller firms) are more likely to have their PMs report to the PMO than those in other industries.
- » Organizations with an external project focus are more likely to have their PMs report to their PMO than those with an internal project focus (69% compared to 46%).
- » Most (85%), but not all, PMOs have a PMO Director or PMO Manager.
- » PMO staffs have considerable experience—10 years on average; and almost half (45%) have PMPs.
- » There appears to be little correlation between the capability and performance of the PMO and the experience of PMO staff.
- » More than half (58%) of PMOs use contracted resources to manage project/programs (down slightly from 2014).
- » And 14% use contracted resources to manage their functions (down 5% from 2014).
- » IT PMOs are more likely to use contracted resources to manage projects/programs.

Successful PMOs Take Command of Training

More than half (60%) of PMOs have a project management training program in place (up 11% from 2014). PMOs in high-performing organizations are far more likely to have a training program in place than low performers (85% vs 38%).

The PMO in 2016 At a Glance

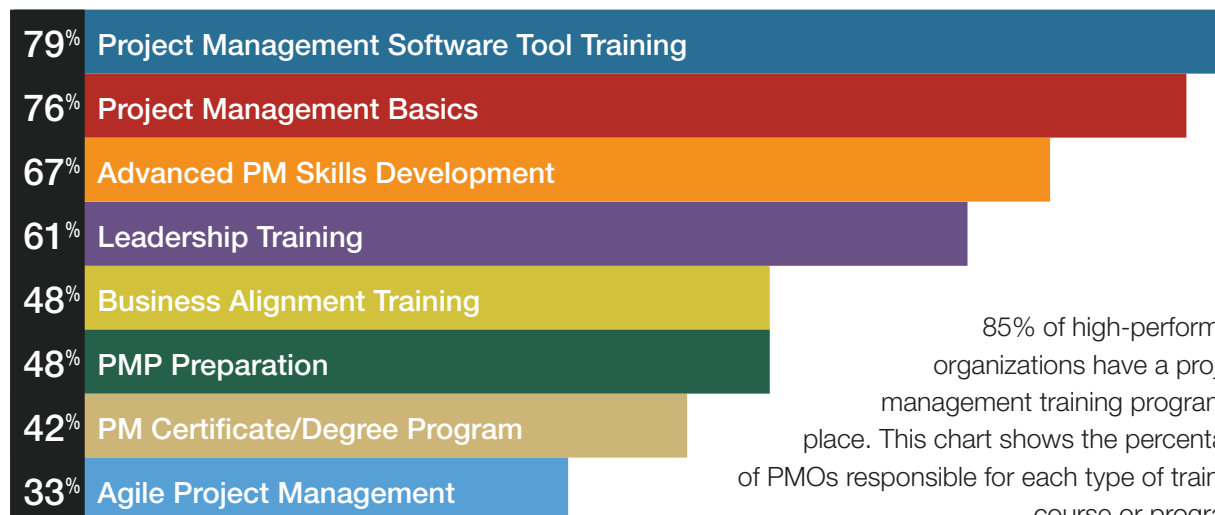
- » **PMO Age: 5 years**
- » **PMO Budget: US\$500k**
- » **PMO Budget as a Percent of Overall Project Budget: 5.0%**
- » **Number of Projects/Year the PMO Works On: 75**
- » **PMO Staff Size: 9**
- » **Percentage of Project Managers that Report to the PMO: 52%**
- » **PMOs Using Contracted Resources to Manage Projects/Programs: 58%**
- » **PMOs Using Contracted Resources to Manage the PMO: 14%**
- » **PMO Staff with PMPs: 45%**
- » **Project Management Experience of PMO Staff: 10 years**
- » **PMO Staff Training per Year: 5 days**
- » **PMOs with a PM Career Path Established: 50%**
- » **PMOs with PM Training Program in Place: 60%**
- » **PMOs Using the PMBOK® Guide: 73%**

All responses are median averages

Although the average number of days of training per year (5 days) is the same as in 2014, there is significant difference between PMOs in high-performing organizations (8 days) and PMOs in low performers (3 days) in terms of the number of days of PM training they offer on average. There's a direct correlation between the capability of the PMO and whether they have established PM career paths and offer PM training. And PMOs in high-performing organizations are much more likely to have established PM career paths, offer PM training, and evaluate the competency of project managers than PMOs in low performers.

- » The majority of PMOs (79%) offer onsite, classroom-based training using in-house trainers, but a significant number (51%) rely on external trainers for their onsite classes as well.
- » Large organizations are more likely to use on-demand, online training.
- » PMOs in finance organizations are more likely than PMOs in other industries to offer training leading to PM certificates or degrees and far less likely to offer advanced skill development and leadership training.
- » PMOs from healthcare organizations are far less likely to offer instructor-led online training than those in other industries.
- » Functional PMOs are far more likely to offer PMO prep training than other types of PMOs.
- » PMOs in high-performing organizations are far more likely to use onsite, classroom-based training using external providers than low performers.
- » Small organizations are less likely than mid-size and large firms to offer training in PM basics and business alignment training.
- » External-project-focused PMOs are far more likely to offer advanced skill development training.

High Performers Offer Variety of Project Management Training



85% of high-performing organizations have a project management training program in place. This chart shows the percentage of PMOs responsible for each type of training course or program.

PMO Functions

Size of organization doesn't make a significant difference in which PMO functions are deployed. Professional services firms are more likely to perform PMO performance monitoring and product of the project benefit tracking than those in other industries. Financial firms are more likely to engage in strategic execution functions, such as organizational strategic planning, aligning projects with strategic objectives, portfolio tracking, and facilitating executive involvement.

- » Most organizations focus on using the PMBOK Guide as their methodology.
- » Enterprise PMOs are more likely to engage in portfolio tracking, management of project planners/controllers, and communicating project management's business value to business peers than Business Unit, Functional, and IT PMOs.
- » Not surprisingly IT PMOs are more likely to use the ITIL methodology.
- » Internal-project-focused PMOs are more likely to engage in the following functions than external-project-focused PMOs: alignment of projects with strategic objectives, portfolio communication management, and business requirements planning.
- » External-project-focused organizations are more likely to engage in portfolio risk management, portfolio benefits realization tracking, resource forecasting, project professional hiring, skills identification, and staffing optimization.
- » There's a definite correlation between a PMO's capability and the number of functions it engages in. Also, a much higher percentage of PMOs in high-performing organizations engage in pretty much all PMO functions compared with PMOs in low performers. In particular, there is an increase of over 40% in the percentage of PMOs in high-performing organizations over PMOs in low performers that engage in the following functions:
 - » executive management advice/support
 - » enterprise risk management
 - » project management software implementation/management
 - » management of project managers
 - » skills identification
 - » project manager performance evaluation
 - » project management training curriculum development and coordination
 - » project management training needs requirements and contracting
 - » PMO performance monitoring/control
 - » communicating the PMO's business value to business peers
 - » strategic project ROI validation

Top PMO Functions

- » **PM methodology, standards implementation/management**
- » **Project policies, procedures, templates implementation/management**
- » **PM coaching and mentoring**
- » **Governance process implementation/management**
- » **Alignment of projects with strategic objectives**
- » **Portfolio tracking (performance monitoring)**
- » **Multi-project coordination**
- » **Roles and responsibilities documentation**
- » **Project performance monitoring/controlling**
- » **Change control and issue tracking**
- » **Dashboard/scorecard implementation/management**
- » **Interface with functional units**
- » **Project/program management software implementation/management**
- » **Governance steering committee facilitation**

Top Five PMO Challenges

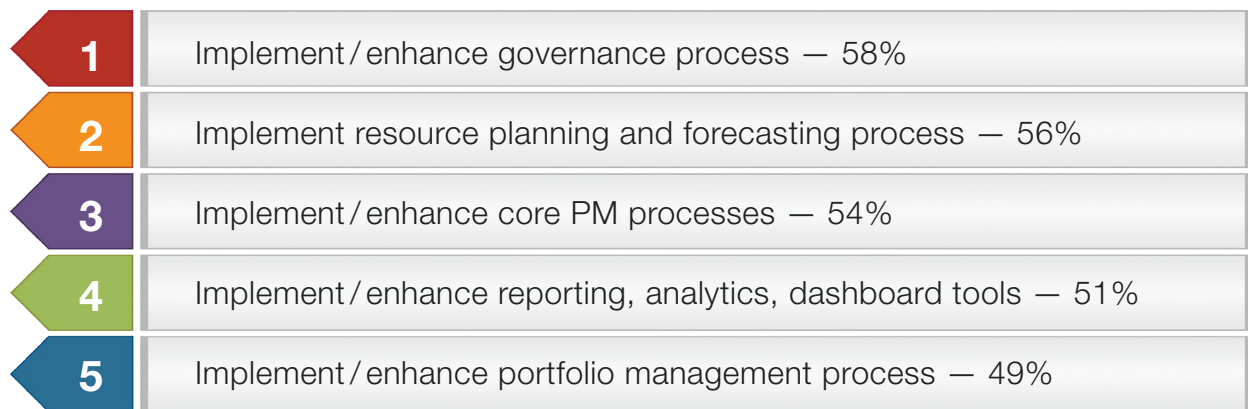
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| 1 | PMO processes seen as overhead — 50% |
| 2 | Organizational resistance to change — 42% |
| 3 | Demonstrating the added value of the PMO — 41% |
| 4 | Assuring the consistent application of defined processes — 38% |
| 5 | Project managers with inadequate project management skills — 35% |

PMO Challenges

The challenges seen by the largest number of organizations are PMO processes seen as overhead, organizational resistance to change, and demonstrating the added value of the PMO. In general, there is a correlation between the capability of an organization's PMO and the number of challenges it faces. Also, far more PMOs in low-performing organizations face challenges than those in high-performing organizations, especially in demonstrating the added value of the PMO, having inadequate executive support, and having a clearly defined role for the PMO.

- » The percentage of PMOs whose value has been seriously questioned by many, possibly closing the PMO, is down from 2014 (10% vs. 12%).
- » Questioning the value of the PMO is highest in finance organizations (18%), IT PMOs (12%), and internal-project-focused organizations (11%).
- » Very few PMOs in high-performing organizations (5%) have many questioning their value; 29% of PMOs in low performers, however, are questioned by many in their organization.
- » IT PMOs face far more challenges than enterprise and line of business PMOs, particularly inadequate resource management capability.
- » Internal-project-focused organizations find having an inadequate resource management capability a challenge more than external-focused organizations.

Top Five PMO Priorities Over the Next 12 Months



Looking Ahead: PMO Priorities for 2017

Mature PMOs will continue to consolidate their position, adding capabilities in performance measurement and benefits realization management. Less-mature PMOs would do well to compare their own functions and processes to the example of the mature PMOs in this study, using them as a model to create roadmaps to improved functionality and performance.

- » Organizations with PMOs are more likely to focus on implementing/enhancing their governance process, improving their resource planning and forecasting process, implementing/enhancing core PM processes, and implementing/enhancing reporting, analytics, and dashboard tools.
- » Organizations without a PMO are more likely to focus on engaging in PPM training or mentoring, implementing/enhancing core PM processes, and implementing a project review process.
- » Large organizations are more likely to focus on implementing/enhancing a governance process and implementing/enhancing a portfolio management process. Healthcare organizations are more likely to focus on improving their resource planning and forecasting process. Finance organizations are more likely to focus on improving their enterprise and strategic alignment. Enterprise and IT PMOs are more likely to focus on implementing/enhancing a governance process. Business Unit and Functional PMOs are more likely to focus on implementing/enhancing core PM processes. Internal-project-focused PMOs are more likely to focus on improving their resource planning and forecasting process. External-project-focused PMOs are more likely to focus on implementing/enhancing their governance process. PMOs in high-performing organizations are more likely to focus on improving their resource planning and forecasting process. And PMOs in low-performing organizations are more likely to focus on implementing/enhancing core PM processes.

About PM Solutions

Professional services firm PM Solutions is the leader in applying project, portfolio and PMO management processes and practices to improve operational efficiency and business performance for our clients.

Founded in 1996 by J. Kent Crawford, PMP, a former president and chair of the Project Management Institute (PMI®), PM Solutions delivers expert project management solutions and services to help organizations and their people perform to maximum potential. Comprehensive offerings include:

- » PMO transformation
- » Project portfolio management process improvement
- » Program and project management resources
- » Corporate training and competency development delivered through our training division, PM College®

PM Solutions' PMO Practice

For nearly 20 years, PM Solutions has been well-known as a leader in PMO design and practice, bringing its clients the expertise and tools needed to help create and sustain a value-driven PMO. We regularly work with clients to deploy a new PMO, operate a PMO, or optimize and enhance an existing PMO to meet a set of evolving challenges, functions, and services. Our processes are scalable and fit PMOs at any level of the organization (enterprise, divisional, departmental, etc.) at any level of PMO maturity.

PM Solutions' highly experienced consultants (15 years on average) have deployed and actively managed PMOs for both commercial and government organizations. We've worked in most industries, including manufacturing, IT, financial services, and healthcare.

PMO structure and process are only part of the overall picture; people must embrace PMO operations and adapt to the cultural shifts that result from implementation. Because we have our own training division, the PM College, we incorporate training, professional development, mentoring, and coaching—integral parts of making a PMO “stick” and become a valued organizational entity to the business.

For More Information

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Just Getting Started with a PMO? Aim High and Go Long

The research findings allow us to construct a picture of the mature, trusted PMO that delivers value to the organization. Here are some of the significant differentiators of Best-in-Class PMOs:

- » 100% have an Enterprise/Strategic service span
- » 66% report to the C-level; 67% report that PMO value is rarely questioned
- » 100% participate in organizational strategic planning and enterprise risk management
- » 100% perform crucial PPM functions, including portfolio strategy formulation, portfolio performance monitoring, portfolio risk management, portfolio rebalancing and the reallocation of budget and resources
- » 100% monitor PMO performance, and they report that measuring and reporting on PMO value is one of their top priorities.
- » 100% perform benefits realization analysis and reporting

When it comes to resource management, Best-in-Class PMOs in the study reported performing a wide variety of functions:

- » 100% perform capacity planning and skills identification
- » 100% develop, coordinate and deliver project management training
- » Fewer Best-in-Class PMOs report performing career path development, perhaps because career paths have already been established earlier in their history (89% of PMOs at the “Strategic” capability level report that they develop career paths).
- » Best-in-class PMOs are much more likely than all other PMOs to use contracted resources to manage both PMO operations (67% vs 12%) and projects/programs (67% vs 58%).

Finally, when we look at high- and low-performing organizations in the study, the correlation between PMO capability and organizational performance is clear: 86% of the organizations that report having either no PMO or the most basic Level 1 PMO fall into the low-performing quartile. However, 59% of companies in the high-performing quartile report having PMOs that score at Level 3 or above.

For companies seeking to improve their project and program execution, the message is clear: commit to the development of a PMO at the strategic level, work with the PMO as a partner in strategy formulation and execution, and dig in for the long haul. Companies that have stayed the course with their PMOs over the past decade are now reaping the rewards.

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