The Value of the Project Management Office

March 2009
A survey conducted by
Pole to Pole Communications,
on behalf of CA

ca

Contents

1.0 Survey highlights

The European Project Management Office (PMO) Value Survey revealed the following highlights:

- The PMO is gaining increased responsibility, influence and acceptance within the business as a strategic enabler of business change

- Organisations with a centrally managed PMO experience perceive it as a strategic asset when it comes to business decision-making

- Using the Gartner PPM Maturity Model[1] as a guide, the survey found that companies with a centrally managed PMO display a consistently higher level of PPM maturity in terms of people, PPM processes, technology, and financial management. A more mature and sophisticated PPM discipline helps those organisations derive business value from their investments more quickly

- Most organisations lack a single system of record (a centrally managed PPM system). Instead they rely on spreadsheets, Microsoft Project plans and disparate siloed systems, resulting in significant efforts to produce regular reports and differing views on the status of project commitments

- Respondents with a centrally managed PPM system perceive themselves as more valued and accepted by their business customers. This helps streamline and enhance project execution while simultaneously delivering greater value from IT investments

- The value of the PMO is measured in terms of basic cost control, resource utilisation and optimisation. Respondents do not currently see the need to measure project success in terms of ROI and benefits delivered

- Using the four dimensions of Gartner's PPM Maturity Model (see over) as a guide, the majority of respondents gave themselves low maturity ratings based on the four dimensions (People, PPM Processes, Technology, and Financial Management)

1 "PMOs: One Size Does Not Fit All", Gartner RAS Core Research Note G00155081, February 2008.

Gartner PPM Maturity Model	Level 0: Nonexistent – ad hoc	Level 1: Initial – reactive	Level 2: Developing – emerging discipline	Level 3: Defined – initial integration	Level 4: Managed – increasing efficiency	Level 5: Optimized – enterprise-orientation
People	Staff assigned to projects on a first-available basis. PPM activity limited to interests and actions of individual managers.	Priority projects get appropriate staffing – everything else is "first available." Nascent PPM leader role – primarily still an individual-manager focus.	PMO(s) established. Programmes increasingly managed in-house. Project staffing/resource capacity issues begin to be addressed.	PPM leader role formalised and increasing specialisation trend beginning. Shared-resource pools formalized.	Network of PPM leaders exist companywide in a federated model. Centers of excellence improve workload management. Capacity planning enabled.	PPM leader role formalised and increasing specialisation trend beginning. Shared-resource pools formalized.
PPM Processes	Projects are assigned to line or staff managers. No formal PPM processes beyond high-level budgeting, except as provided by outside vendors.	All internal processes centered on management of critical projects. Vendors are often responsible for large initiatives.	Project processes in place. PMO(s) organised. Emerging understanding of PPM. Risk now reviewed.	PPM function established. Projects are approved on a portfolio basis. Enterprise architecture (EA) functions involved.	Similar projects managed as programmes. Portfolio is actively maintained.	Portfolio extended beyond IT. Comprehensive PMO. Pipeline managed in real time.
Technology	Intermittent use of project schedulers, spreadsheets and other point tools on a "by project" basis.	Project scheduling tools and milestone reporting adopted.	Project collaboration and team workspaces supported.	Portfolio tool is in place. Reporting dashboards.	Workflow added to toolset. Business users adopt tools as useful.	Single, integrated system supports reporting, collaboration and analysis.
Financial Management	Projects done without formal cost, benefit or risk valuation.	Projects have budgetary estimates, Actual cost can be estimated. Some benefit statements.	Project cost and labor hours captured. Estimate of benefit made for each project.	Costs are captured and forecast. Benefits are identified and related to strategy in the portfolio.	The portfolio is modeled and appropriately optimized, factoring in risk. Benefit realisation is tracked.	Programmes have their own financial resources, and full life cycle costing is available.

1 "PMOs: One Size Does Not Fit All", Gartner RAS Core Research Note G00155081, February 2008.

2.0 Preface

The Project Management Office (PMO) is the department or group that defines and maintains the standards of process, generally related to project management, within the organisation. The PMO strives to standardise and introduce economies of repetition in the execution of projects. The office is also the source of documentation, guidance and metrics on the practice of project management and execution.

In economically uncertain times, however, the PMO is being asked to do more with less, to provide even more visibility into their spend, to continually demonstrate value to their business customers, to deliver the right services on time, on budget and on spec – and to manage a complex environment of technology and people.

However, many organisations still rely on fragmented and siloed project management processes such as spreadsheets or home-grown systems. As a result, they are struggling with multiple systems to track costs, thus making it almost impossible to align IT spend with business priorities. This impacts practically all aspects of IT financials, from project cost accounting to fiscal budgeting and planning and ultimately internal customer satisfaction.

The objective of this research was to understand the PMO's position in the organisation, its acceptance, how it perceives itself, what tools they use and whether the tool help them to become successful. It also examines how the importance/impact/value of the PMO can be measured.

2.1 Research methodology

The European Project Management Office (PMO) Value Survey was conducted by Pole to Pole Communications, on behalf of CA. The research was conducted during November/December 2008 among 249 respondents in 14 countries. The countries participating in the survey were Austria, Benelux, The Czech Republic, Denmark, France, Greece, Italy, Malta, Norway, Poland, Spain, Turkey, the UAE, and the UK.

2.2 Industries participating in the survey

Survey respondents were drawn from 12 industry sectors:

- Manufacturing

- Electricity, gas, steam and air conditioning supply

- Wholesale and retail trade, repair of motor vehicles and motorcycles

- Transporting and Storage

- Accommodation and food service activities

- Information and communication

- Financial and insurance activities

- Professional, scientific and technical activities

- Public administration and defence; compulsory social security

- Human health and social work activities

- Arts, entertainment and recreation

- Other services activities

2.3 Size of organisations participating in the survey

The scope and size of organisations that took part in the survey is shown in figure 1 and 2 opposite:

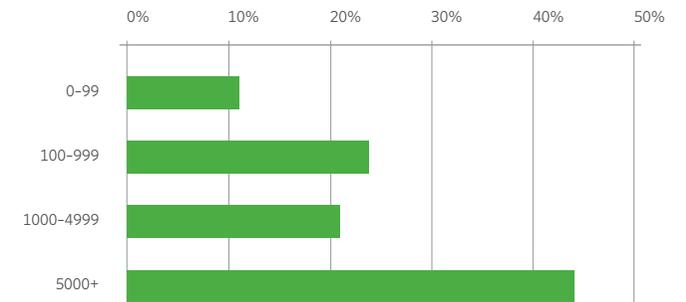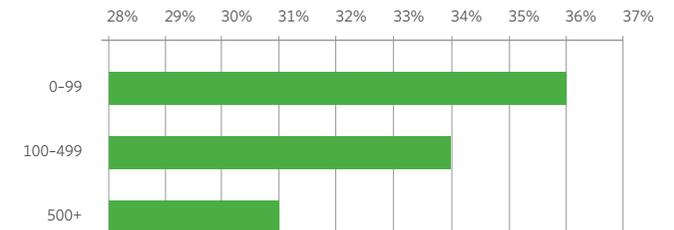**Figure 1:**
Number of employees

Figure 2:
Number of IT staff

3.0 Executive summary

Companies devote a large amount of their time delivering projects. While success rates have improved to approximately 34%, 15% of all projects still fail and 51% are somehow 'challenged', according to research from the Standish Group[2]. There are many reasons why projects fail, often due to a lack of visibility into long-term project needs. Without proper visibility (many organisations continue to rely on fragmented and labour-intensive processes like Excel spreadsheets to manage projects), organisations are unable to see what is needed six months, three months or even two months down the road, which results in poorly constructed project plans that do not capture critical dependencies, including assigning project resources and key milestones.

While developing a software process improvement programme can be costly, studies have shown that the resulting benefits of improved time-to-market, productivity and software quality far outweigh the initial investment costs. A Project Management Office (PMO) is key to successfully implementing process improvements and ensures development teams finish projects on time and on budget through the use of established best practices, while at the same time ensuring the finished project or product meet stakeholder requirements. A PMO is the first step towards improving:

· Project, programme and portfolio management best practices

· Time-to-market acceleration

· Quality of your initiatives in a cost-effective manner

Against a tough economic climate, the right investment in innovation and automation has the potential to transform companies into ones that thrive, not just survive. At no time in the past has it been more important for IT to align with the business and run itself like a business supported by a well functioning PMO.

2 The Standish Group International, CHAOS Report 2007

3.1 Key survey findings

This European PMO Value Survey conducted on behalf of CA highlights that a centralised PMO can significantly improve the delivery of projects for an organisation and help improve business performance. This is accomplished through the implementation of a rigorous project management methodology as well as the use of templates, tools, a centralised knowledge repository, and metrics. Specifically, the survey finds that an overwhelming majority (86%) of organisations that already have a centralised PMO view it as 'a strategic asset when it comes to business decision-making'. Likewise, almost three quarters (72%) of organisations with a centrally managed PMO 'feel valued' in their organisation.

Using the Gartner PPM Maturity Model as a guide, CA asked organisations about their PMO maturity and found that companies already using a centrally managed PPM solution consistently assign a higher level of maturity to their PMO. This validates the fact that a centrally managed PPM solution accelerates maturity in terms of people, PPM processes, technology, and financial management. Clearly, a more mature and sophisticated PPM discipline helps those organisations derive business value from their investments more quickly.

Moreover, half of all respondents (50%) state that a centralised PMO demonstrates 'value to the business' – a figure which would undoubtedly be higher were it not for the fact that a large proportion of respondents are at a comparatively early maturity stage in their PMO processes.

The research also highlights common ground concerning how the value of the PMO is expressed in the organisation. Three quarters of respondents (75%) cited four themes: 'delivering projects on time', 'delivering projects on budget', 'alignment with business objectives', and 'generate higher customer satisfaction'. The findings are typical responses from organisations at an early phase of their PMO maturity. In the early stages of deployment, a PMO will typically provide answers to the questions senior management ask most, such as 'are the projects on time, on budget, and are they aligned with our business objectives?' As the PMO matures, the organisation will record other values and achieve a full benefits realisation.

The survey respondents were also shown to be at an early stage of PPM maturity. Asked by CA to measure their maturity (using the Gartner PPM Maturity Model across four dimensions as a guide) , their People, PPM Processes, Technology, and Financial Management maturity was generally a 'developing and emerging discipline'.

The results from this study suggest that merely implementing a PMO in itself is not a panacea. Instead, it is a centralised PMO strategy that makes a difference to the organisation. And as PMOs become more mature, the organisational 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 organisation.

3.2 Highlights

- The PMO is gaining increased responsibility, influence and acceptance within the business as a strategic enabler of business change

- Organisations with a centrally managed PMO experience perceive it as a strategic asset when it comes to business decision-making

- Based on the respondents' ratings of the four dimensions reflected in the Gartner PPM Maturity Model, organisations with a centrally managed PMO display a consistently higher level of PPM maturity in terms of people, PPM processes, technology, and financial management. A more mature and sophisticated PPM discipline helps those organisations derive business value from their investments more quickly

- Most organisations lack a single system of record (a centrally managed PPM system). Instead they rely on spreadsheets, Microsoft Project plans and disparate siloed systems, resulting in significant efforts to produce regular reports and differing views on the status of project commitments

- The credibility and communication gap with internal customers has narrowed. Traditionally there has been a problem with IT recognition; however, respondents with a centrally managed PMO system perceive themselves as more valued and accepted by their business customers. This helps streamline and enhance project execution while simultaneously delivering greater value from IT investments

- The value of the PMO is measured in terms of basic cost control and resource utilisation and optimisation, which indicates low/average maturity levels. Respondents do not currently see the need to measure project success in terms of ROI and benefits delivered

# 4.0 Detailed research findings

4.1 Centralised Project Management Office shows the way forward

The 249 respondents from across Europe were asked what type of PMO was operated in their organisation. 45% reported that they maintain a centralised PMO function. This PMO is either one central PMO as part of the IT handling all projects, a central PMO that handles all projects across the company, or a PMO managed as part of the Chief Information Officer (CIO) office. 9% stated that their PMO is situated in the business.

A centralised PMO is the optimal route for large, diverse organisations that deliver scores (or even hundreds) of projects per year. In this environment, the centralised approach ensures that each project manager has a core set of project management skills, common processes, and templates. The PMO also acts as the owner of the project management methodology as well as a support organisation that project managers can utilise for project management assistance. Moreover, the centralised PMO can serve as a place for providing an organisation-wide view of the status of all projects and can report on the improvements being made to project delivery capabilities over time.

By contrast, the survey found that 27% either had multiple PMOs reporting to different functions within the business; or that had no PMO function whatsoever. This approach can undermine the successful delivery of IT projects: a lack of common processes results in project managers and team members being required to learn new processes as they move from project to project. In addition, no one has any idea whether the company is successfully delivering projects in general, and no one knows what anyone else is doing.

Figure 3:
What type of PMOs are there in your organisation?
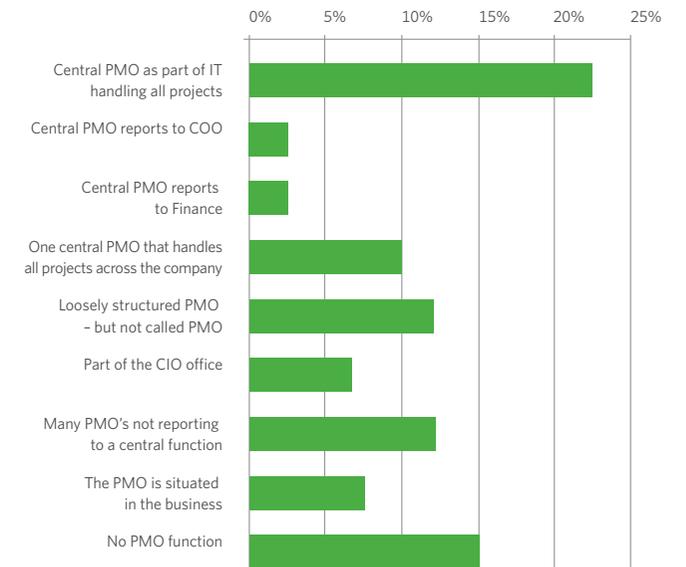
4.2 The PMO is nothing new

Forty percent of survey respondents have used a PMO for three years or more – albeit either as part of a centrally managed PMO strategy or a dispersed one. Almost one third deployed a PMO more than five years ago. 36% have used a PMO for between one and two years. These findings reflect a fundamental change in recent years in the way firms manage IT projects: moving away from just managing projects to creating and managing portfolios of projects, based on a PMO strategy of various sorts. This shift is bringing constructive change to the way that projects are selected, how they are managed, and how the firms are organised to bring direction, structure, and oversight to the processes.

Project Portfolio Management (PPM) has helped these firms to build portfolios of the most beneficial projects – increasing value, reducing resource demand, and assuring alignment with strategies. The new processes are enhanced by the availability of systems like CA Clarity™ Project & Portfolio Management which address the issues of project selection and portfolio maintenance, and enable effective communication between all the stakeholders.

4.3 The PMO comes in all sizes

The research concludes that the number of people in the PMO correlates directly with the size of the organisation: the larger the company, the larger the PMO (refer to Figures 2 and 3). According to the findings, 43% of respondents said their PMO comprised between 1-3 staff; 33% said 4-7 people; and 25% reported more than seven staff.

There are no standard rules governing whether the PMO should be x% of the size of the organisation or y% of the company's budget. However, for a PMO to be successful, the PMO stakeholders should map out the implementation of the PMO in a phased approach. Phase one could start with very few resources, establishing minimum standards, publicising and selling project management, and carrying out one or two projects. Later phases would see the adoption of more resources, adding more standards and processes, publishing success stories from the initial phase, and adding additional project managers.

Figure 4:
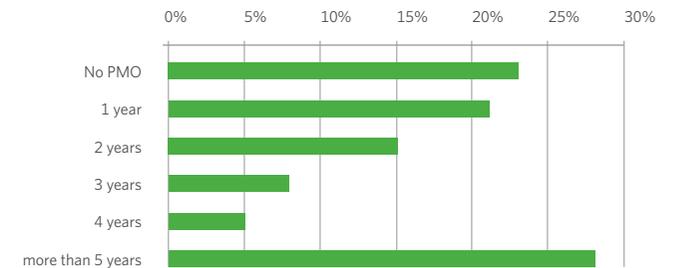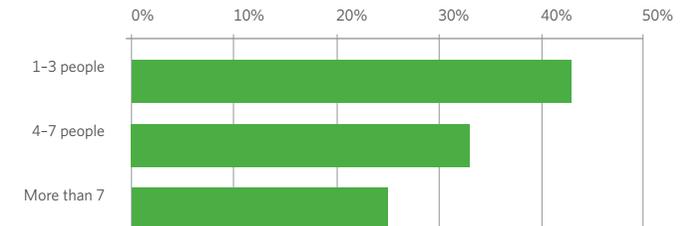How long has your organisation had a PMO?

Figure 5:
How many people are there in your PMO?

4.4 Centralised or dispersed PMO?

According to the research, 20% of respondents operate a centrally managed PPM solution. Other respondents either rely on spreadsheets (17%), a home-grown project management system (12%), Microsoft Project (21%), or various other systems (26%).

The 20% of respondents in the CA survey with a centrally managed PPM solution consistently assigned a higher level of maturity to their PMO, using the Gartner PPM Maturity Model as a guide (see Section 4.10 for full details). The survey findings validate the fact that a centrally managed PPM solution accelerates maturity in terms of people, PPM processes, technology, and financial management.

Many organisations continue to use Excel spreadsheets, MS Project, or other fragmented tools for project portfolio management. As a result, they are struggling with multiple systems to track costs, thus making it almost impossible to align IT spend with business priorities. This impacts practically all aspects of IT financials, from project cost accounting to fiscal budgeting and planning and ultimately internal customer satisfaction.

However, there are numerous advantages to using a PPM tool designed specifically for this purpose. This includes improved standardisation of data capture, one source of truth for project portfolio information, the availability of analytical tools for portfolio optimisation, and integration with other IT management tools to provide a holistic framework for integrated IT management.

4.5 The PMO is a strategic asset

Most of the respondents see themselves as strategic contributors in some shape or form, either finding that they have a well balanced mix of strategy versus operational activities, or launching new products or supporting the company in maintaining competitiveness. Altogether, 77% are using the PMO for a variety of strategic purposes, whether it's 'running strategic projects most of the time' (25%), 'a good balance of fire-fighting and executing strategic projects' (22%), supporting company growth and competitiveness' (19%), or 'supporting the launch of new products' (11%). Only 19% state that the PMO is used for 'fire-fighting and keeping the lights on most of the time'.

These findings are reassuring. It demonstrates that the respondents perceive themselves (and their PMO) not simply as mere executers, but instead as real partners to the business and critical to their company's success.

Figure 6:
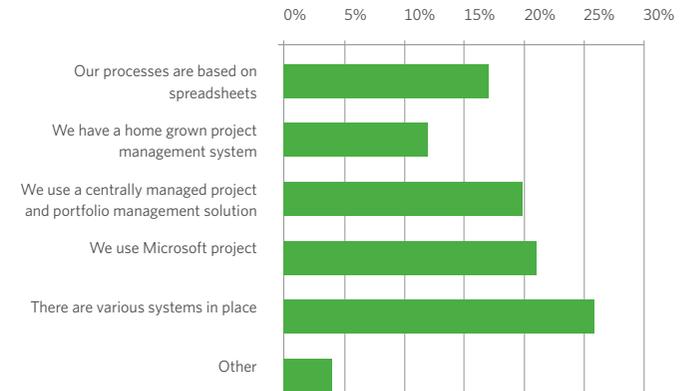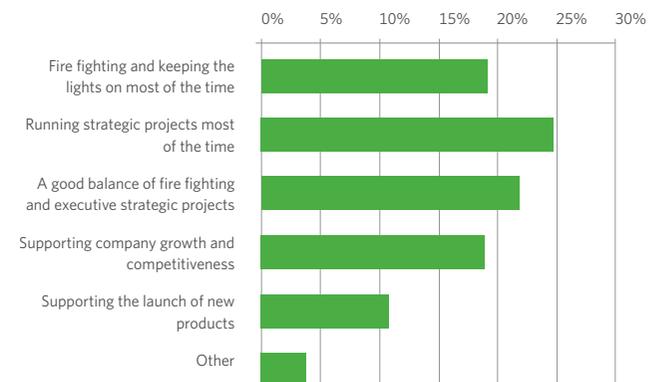How do you manage your PMO?

Figure 7:
What is the key function of the PMO in your organisation?

4.6 The PMO is a valued function within the organisation

According to the research, it is apparent that PMOs are now getting more visibility and recognition within the organisation – and that they are helping to shape the business. 62% state that 'in my organisation the PMO is considered as a valuable contributor'.

An overwhelming 72% of organisations already using this centrally managed PPM solution (see section 3.4) 'feel valued' in their organisation. The reasons for this are clear: a centralised PMO strategy offers a rigorous methodology, along with templates, dedicated project managers, a knowledge base, metrics and standardised tools. The result being that project estimation, scheduling, and risk mitigation are more consistent. Projects are also more likely to get delivered on time, within budget and with a minimum of surprises.

4.7 The PMO is a strategic asset for business decision making

Keeping IT in synch with the business is of utmost importance. It ensures that IT investments are aligned with business strategy. CIOs who can't improve the engagement between IT and line-of-business executives are perceived as adding little value and not meeting customer expectations. This ultimately leads to further reductions in budget and staffing levels.

Against this backdrop, the vast majority of respondents state that their PMO is a strategic asset in the business decision-making process (84%). These responses vary between 'somewhat' (36%), 'significantly' (28%), 'considerably' (14%), and 'highly strategic' (6%).

Taking the subset of respondents that already have a centrally managed PMO (see section 3.4) also elicits some interesting results. Here, there is conclusive proof that a centralised PMO supports improved time-to-market for IT initiatives, productivity, and software quality: 86% state that having a centralised PMO is 'a strategic asset when it comes to business decision-making'.

Figure 8:
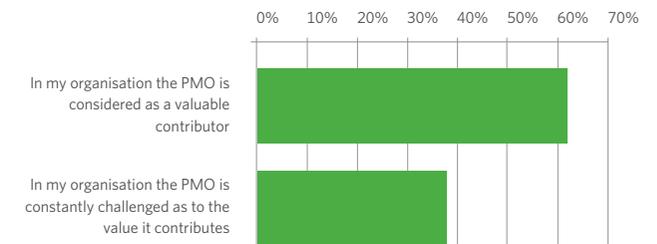Do you feel that your PMO function is valued in your organisation?
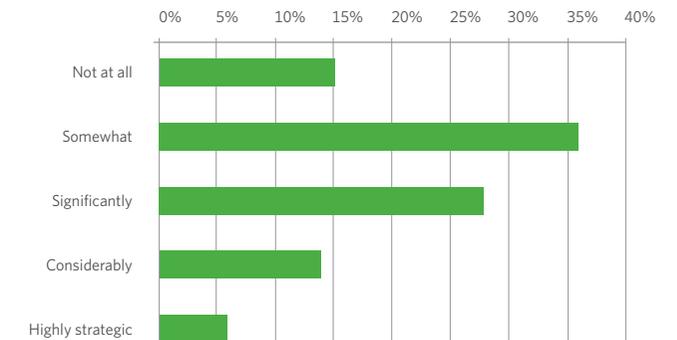
Figure 9:
How strategic is the PMO to the business decision making?

4.8 The PMO demonstrates value to the business

When it comes to demonstrating value, three quarters of respondents (74%) state that their PMO demonstrates value to the business. This varies between 'somewhat' (42%), 'considerably' (29%), to 'we deliver comprehensive return on investment (ROI) to the business in real-time' (3%).

There is further validation of the value of a PMO when the subset of respondents already using a centralised PMO (see section 3.4) is compared against all respondents to this category. Here, half of all respondents (50%) state that a centralised PMO demonstrates value to the business. This figure would undoubtedly be higher were it not for the fact that a large proportion of respondents are at a comparatively early maturity stage in their PMO processes (see Section 3.10).

4.9 Delivering on time, on budget, and aligned to business objectives

The research highlights a certain degree of consistency concerning how the value of the PMO is expressed in the organisation. Three quarters of respondents (75%) cited the same four themes: 'delivering projects on time' (21%), 'delivering projects on budget' (21%), 'alignment with business objectives' (20%), and 'generate higher customer satisfaction' (13%).

The findings are typical responses from organisations at an early phase of their PMO maturity. In the early stages of deployment, a PMO will typically provide visibility into what senior management want most: 'are the projects on time, on budget, and are they aligned with our business objectives?' As the PMO matures, the organisation will record other values and achieve a full benefits realisation.

Figure 10:
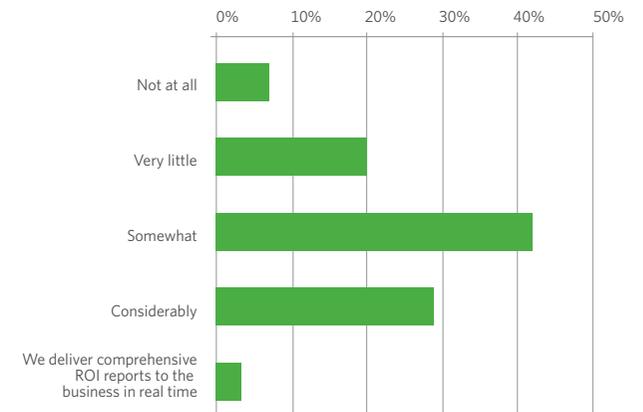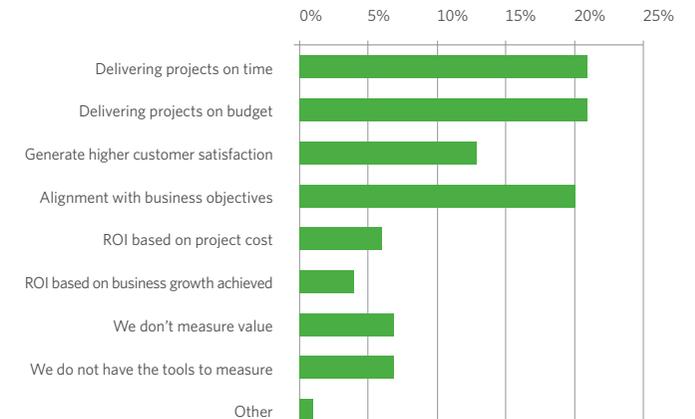Does your PMO demonstrate value to the business?

Figure 11:
How is the value of the PMO expressed in your organisation?

4.10 Project and Portfolio Management software accelerates PMO maturity

Respondents indicated to CA the maturity level they would assign to their PMO, using the Gartner PPM Maturity Model (see page 4) as a guide for their responses. Their maturity was measured across four dimensions (People, PPM Processes, Technology, and Financial Management), and across six levels, ranging from least mature (Level 0), to fully mature (Level 5).

4.10.1 People: People are the most critical part of any project. The interdependency among people in terms of their ability, their skills, their contribution to projects, and their career aspirations are of vital importance. According to the CA survey – and using the Gartner PPM Model as a guide – 33% perceive 'people' to be an 'emerging discipline'. According to the Gartner PPM Maturity Model, this correlates to, "PMO(s) established. Programmes increasingly managed in-house. Project staffing/resource capacity issues begin to be addressed[3]". Moreover, these findings suggest that some types of resource pool have been created and rudimentary skill data is available, although true availability is usually still lacking.

When these findings are cross-referenced against the respondents with a centrally-managed PPM solution, the level of PMO maturity is significantly higher. For example, 58% of respondents using a centralised PPM solution are between levels 3-5 in their PMO maturity, against just 30% for all respondents. Equally, 29% of all respondents are at the earliest stage of maturity ('initial-reactive'), against just 11% for those organisations with the centralised PPM solution.

4.10.2 PPM Processes: PPM processes comprise activities such as prioritisation, which is required when multiple projects are managed as a unit along with many project management processes, such as risk and resource management extended from a single project to a portfolio or collection of projects. One of the most common processes is the creation of the PMO itself.

According to the survey, 33% view their PPM Processes as a 'developing or emerging discipline'. Referring to this level of maturity in the Gartner PPM Maturity Model, Gartner says, "Project processes in place. PMO(s) organised. Emerging understanding of PPM. Risk now reviewed[4]".

However, organisations with a centrally-managed PMO display significantly higher maturity when it comes to PPM processes. Here, 26% of organisations with a centrally managed PMO are at level 3 maturity (defined-initial integration) against only 16% of all respondents. Again using the Gartner PPM Maturity Model as a guide, it quotes these types of organisations as, "PPM function established. Projects are approved on a portfolio basis. Enterprise architecture (EA) functions involved[5].

3 "PMOs: One Size Does Not Fit All", Gartner RAS Core Research Note G00155081, February 2008.

4 "PMOs: One Size Does Not Fit All", Gartner RAS Core Research Note G00155081, February 2008.

5 "PMOs: One Size Does Not Fit All", Gartner RAS Core Research Note G00155081, February 2008.

4.10.3 Technology: The requirements for technology evolve as the various PPM processes change as they move through the level of maturity. Additionally, PPM processes often require a unique set of tools to adequately fulfil their business functions. According to the survey findings, 29% of organisations are currently in the 'developing or emerging discipline' phase. This suggests a growing demand for Web-based tools and other projects across the enterprise which is driving the IT organisation to establish project collaboration and team work spaces.
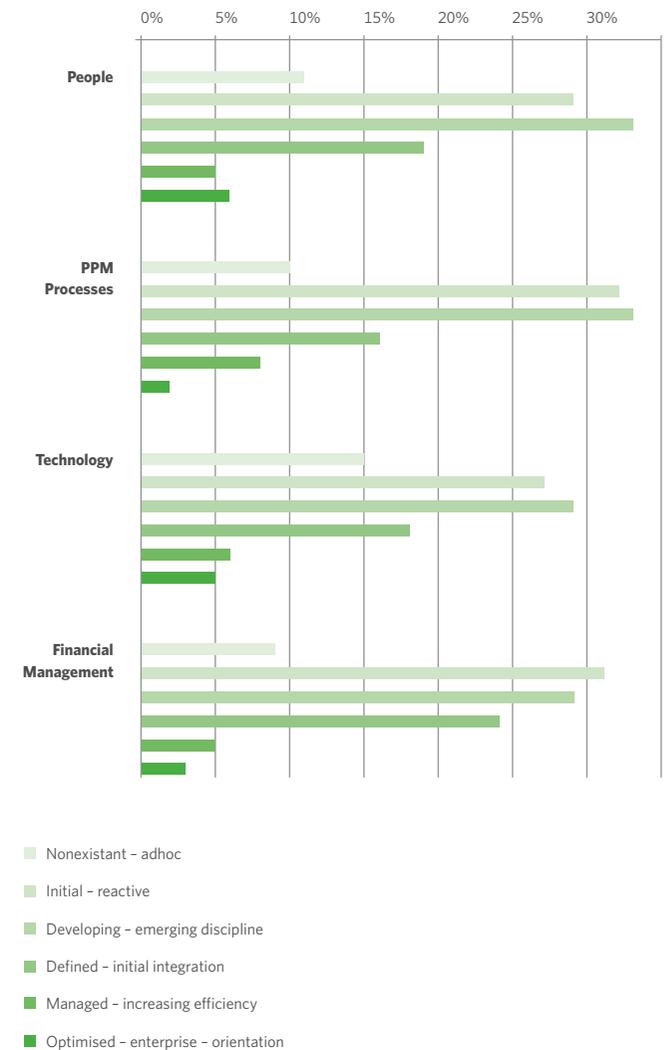
Again, organisations with a centrally managed PMO display a greater degree of maturity in terms of technology. 26% of respondents are at level 3 maturity, against only 18% for all respondents.

4.10.4 Financial Management: Financial systems that might be adequate when projects are paid for as part of a lump sum in the budget become inadequate when they are forced to handle the granularity and level of analysis often required to support a more detailed look at multiple projects and programmes. To achieve financial management, chargeback or allocation systems, we well as new mechanisms for tracking value are often required.

The survey finds that the largest percentage – 31% – are at the 'initial/reactive/phase. Referring to the Gartner PPM Maturity Model, this means these organisations have reached a maturity stage whereby, "Projects have budgetary estimates, actual cost can be estimated[6]".

However, 29% of all respondents are at the 'developing-emerging discipline' phase; whereas 43% of organisations with a centrally managed PMO have already reached this more mature stage.

Figure 12:
Please rate your PMO's PPM (Project Management) Maturity

- Nonexistant – adhoc
- Initial – reactive
- Developing – emerging discipline
- Defined – initial integration
- Managed – increasing efficiency
- Optimised – enterprise – orientation

6 "PMOs: One Size Does Not Fit All", Gartner RAS Core Research Note G00155081, February 2008.

4.11 There is always room for improvement

There was a broad suite of opinions in response to ways in which respondents' PMO could be enhanced. The most popular means was to 'align projects with business value' (12%), following by 'reduce costs per project' (11%), and 'increase resource productivity' (10%). Other issues cited by respondents included, 'improve reporting' (9%), 'improve visibility of project risk' (8%), and 'improve project cycle time' (8%).

Figure 13:
Please indicate in which area your PMO could improve