



# SUCCESSFUL IMPLEMENTATION OF PROJECT MANAGEMENT OFFICE IN INDUSTRY

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## Abstract

This Project Management Office (PMO) is a rather young and unknown phenomenon within the industry. Its purpose, role and benefit remains questioned in many organizations. Regardless of that, PMO exists in many larger international organizations as the department that manages the largest projects and has the project overview of the entire organization. Why is this questionable entity implemented into organizations? What are the challenges of implementing PMO? And how can this entity overcome the factors that diminish it or completely shut it down?

To begin with, an intensive theoretical research was performed in hope to find answers to these questions. Following that, a case study was performed and four international organizations were interviewed. This provided improved understanding of how PMO works in real life. By combining the data gathered it was possible to give views on the posed research questions from both theoretical and practical point of view. This provided a good demonstration on how the real life functionality of this entity can differ from what is stated in the theory. Project Management Office can be found in many forms and variations within organizations and is therefore not easy to be identified. Its purpose is variable between organizations but valued very high in those organizations involved in the thesis. In contravention of what the theory states, PMO is a long living entity according to the case study results and implementing a PMO can be a difficult task, but easily accomplished if done properly with the organization characteristics in mind

**Keywords:** Project management office; PMO; implementation of PMO; PMO lifetime; challenges of PMO; benefits of PMO

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## 1. PMO Introduction

Due to increased competition over the last decade, organizations are facing challenges that are increasingly characterized by reinforcement in competition, product rates, service and innovation and increasing emphasis on delivering on time and within budget. In order to respond to these challenges and be competitive on market, organizations respond by developing new and flexible organizational entities where the emphasis is on projects that are more numerous and strategically important than before. This opens up new opportunities that will require different ways of working within organizations. Consequently in order to utilize these emerging opportunities organizations require new innovative solutions. One example of this development is the creation



of a new organizational entity, Project Management Office (PMO). PMO is a new innovative way to monitor and follow up on projects within organizations.

In contrast to traditionally executing projects in functional silos, with no defined common ground, PMO provides assistance and guidance to all existing projects of the organization. By having all project work monitored in the same entity, organizations are able to share the knowledge and experience from previous projects in order to improve the execution of future projects. Furthermore PMO is usually run by experienced project managers that utilize their knowledge and experience to continuously improve project management methods and tools of the organization. Along with that they introduce new methods to other project managers within the organization as well as training them up to a certain level that enables them to employ them independently. In overall, PMO is like a parent to a project, providing guidelines and values to the project managers which should enable them to make the right decisions in difficult situations.

Despite the qualities above, PMO has not succeeded as well as hoped for in real life. One reason for this can be because PMO is not able to show value for its work since it can be rather difficult to measure how much PMO contributes to the project performance improvements within the organization. Consequently, in crisis, an entity like PMO that does not directly bring monetary value to the company is often the first to be closed down.

Due to short lifetime and the fact that this phenomenon has been changing continuously ever since it first came about, there is little theoretical or empirical research on the topic. Therefore this research contains several references from non-theoretical resources. These resources provided different view on PMO and from more practical perspective.

Academics argue about the efficiency of PMOs and organizations question the value of it. Consequently this thesis will speculate hypo is implemented into organizations, what challenges it might face and how PMO is kept alive and a long term entity. At last it will present a model based that will point out factors on how to keep PMO alive. Moreover, it will seek to shed some light on this relatively new organizational phenomenon

### **1.1 Purpose and Aim**

The main purpose of this master thesis is to explore and get to know project management office in diverse international organizations. The project management office will be explored from the beginning of the creation within organizations and to the very end. Questions about why it is opened and why it gets closed down will be answered as well as looking at how it can survive in a long term perspective. The first step is to analyse the PMO theory and summarize why and how PMO should be implemented within international organizations. This is done by performing a literature research on related articles, books and websites that provide the author with information and more understanding about the subject. The second part is to conduct a case study within international organizations, organizations that run their business in more than one country, in order to analyse how they apply PMO theories in practice. The outcome of the case study will provide comparison to the literature review and hopefully provide valuable suggestions to the thesis questions. The third and last part is to bring up reflections on the research questions in accordance to the case study results and theoretical information. Along with that important points will be highlighted in order for organizations to read as a guideline when implementing a PMO or to improve their PMO in order to become more efficient in running a PMO as a long term entity. The main goal of the case study is to get insight in how PMO operates in everyday life in international organizations as well as to get information about why this entity should be implemented. By writing this thesis an insight can be gained into the real life of PMO and how PMO theories are applied in practice. Additional goal of this thesis is to provide useful information to companies that are planning on



opening a PMO within their premises. It will save companies work and time if they don't have to go through all the literature, books, articles and from that analyse this information in order to understand what is most suiting for that particular company.

## 1.2 Research questions

The goal of this thesis is to reflect on why organizations should implement PMO, how the implementation of PMO affects the organizations and create a model with factors that keep PMO alive. This can become very extensive research and therefore three research questions will be proposed in order to focus on certain aspects and narrow the subject.

- Why should PMO be implemented into international organizations?
- What are the main challenges of implementing a PMO?
- How can PMO be kept alive in the long term?

The relationship between the existing theories and work in practise will be explored along with new findings about PMO. The case study seeks to investigate these factors along with trying to find new aspects of this recently evolving entity.

## 1.3 Structure overview

The remainder of the thesis has been organized into five major sections as can be seen in Figure 1. These sections are; theoretical framework, methodology, case study, reflection and discussion and at last conclusion.

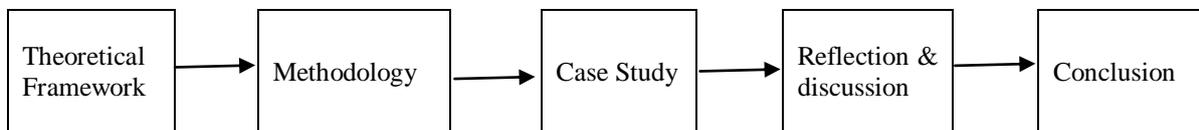


Figure 1: Thesis structure overview

First, a review of relevant literature relating to PMO is presented in the theoretical framework. This literature consists of wide range of different perspectives to keep in mind when implementing PMO into organizations along with theoretical information that is connected to the main thesis questions. Next, the methodology is presented. This is done as an introduction to the case study. It includes the main information about the research, its scope and design. Collection of data is listed in order to inform the reader what the case study consists of. Then a case study is presented where each organization is introduced and results from each organization listed. At last a reflection and discussion part is presented where results from the theoretical part as well as the case studies are combined. In conclusion the main results of this thesis are summarized along with limitations of the study in addition to future research questions.

## 2. Overview of PMO

Project Management The life is one big project! Our daily life is becoming more and more defined by executing different projects. Planning a birthday has been defined to be a project as well as shooting a space shuttle into the sky. A project is a temporary group activity that is designed to produce a unique product, service or result. This can furthermore be seen in how various organizations operate today where many industries have become dominated by Project-Based Organizations (PBOs). A project's main characteristic is; temporary, unique, goal focused, it has time and cost constraints, consists of people, has low volume and high variety and uncertainty. Project management is the discipline of planning, organizing, securing, managing and



controlling resources to achieve certain goals of a project (Project Management Institute, 2014). Furthermore it is the application of knowledge, skills, tools and techniques to execute projects effectively and efficiently. This field is as well responsible for overseeing change and manage ever changing set of tasks. One of the main tasks of project management is resolution of conflict. The line of authority is often fuzzy since resources are coming from other functions within the organization and this usually leads to conflicts. Due to this, the work of project manager has not been easy. In order to provide a support for project managers a new department has been established in many organizations. This department is called project management office (PMO) and will be the main research phenomenon in this thesis.

## 2.1 What is PMO?

During the investigations of this phenomenon it became apparent that there are various different definitions of what PMO is. This can be traced to the fact that it can serve different meaning in different organizations. PMO stands for Project Management Office and in a business or professional enterprise it is a department or group, within the organization, that defines and maintains the standards of processes that are related to project management. PMO strives to standardize project work and introduce new ways of working. It assists project managers (PMs) and project teams throughout the organisations to adapt professional practices of project management described PMO as a recent organizational phenomenon within an organization that defines, implements and maintains project management principles, standards, processes, methodologies, tools and techniques. A PMO is a formal, centralized control that is usually located between senior management and project management within the organization. It is either a single or multiple entities, depending on the organization.

Defining a PMO can be a difficult task since each organization is different and there is no “one size fits all “on how PMO should function. Nearly 75 unique functions have been identified, some traditional and others innovative. Multiple studies have been performed but fail to find systematic patterns. Each PMO is unique and specific as well as the corporate culture it supports. Despite for that there exist various definitions about PMO and here below are two definitions that manage to define PMO in an apparent way. According to do Valle et al. (2008) PMO is a centre of intelligence and coordination which bridges the gap between the strategic business objectives and the related practical results through organisational portfolio, program and project management. The Project Management Institute’s presents, A Guide of PM Body of Knowledge that defines PMO accordingly:

An organisational body or entity assigned various responsibilities related to the centralized and coordinated management of projects under its domain. The responsibilities of the PMO can range from providing project management support functions to actually being responsible for the direct management of a project.

The Project Management Office hashed several names through the years depending on the host organizations. Hobbs and Aubry (2010) did a survey where 500 PMOs participated. The survey listed up different names of PMO entities and here below some of the names can be seen;

- Project Office
- Project Support Office
- Project Management Office
- Central Project Office
- Program Office
- Project Management Oversight



- Project Management Centre of Excellence

In this thesis the name Project Management Office is used as it is the most common used label for this entity.

## 2.2 PMO History

The organisation that never changes eventually loses synchronization with its environment, while the one that never stabilizes can produce no product or service efficiently.

In the continuously changing world, organisations are bound to face new threats, new ways of working and increased competition. The increasing number and complexity of projects throughout the business world led to a certain form of centralization. Organisations have responded by increased emphasis on more flexible organizational forms and on time deliveries. The result is that projects have become more numerous and more strategically important parts of organizations. One clear sign of response to this development was the creation of new entity, Project Management Office.

The earliest signs of PMO vary between sources. The use of some sort of PMO has a long history dating back to the 1930s according to Dai & Wells (2004). However, it is not until the 1990s that this concept really took shape and expanded into forms we see today. In the last decade, PMO started to be recognized as a means of improving project performance. According to do Valle *et al.* (2008) the first academic reference of PMO appears in the year 1998 when Harold Kerzner described Project Office in his book. Brian Hobbs and Monique Aubry (2010b) say that first signs of PMO implementation were in 1994 and the first knowledge about written PMO is in 2003. These discrepancies in when PMO first came about really emphasise the diversity of PMO. PMO is an entity that comes in many forms and is therefore difficult to put description on. Here below the main types of PMO will be described in hope to obtain better understanding of this ever changing phenomenon.

## 3. Characteristics of PMO

### 3.1. PMO Types and Life cycles

Those responsible for establishing or managing a PMO have a great variety of options to choose from. There is a great variety in the roles and functions to include within the mandate of PMO. In overall it is considered that the organization and its culture have the most impact on what type of PMO is implemented. One PMO can have a minimal staff and no direct control over the management of individual projects while another has a large complement of full time PMs and direct control over individual projects.

The PMO type and evolution goes hand in hand with the organizational project management maturity (OPMM). Organizational Project Management (OPM) is the execution of organizational strategies through projects. OPM is combined of portfolio, program and project management. It involves the translation of corporate strategy into projects through portfolio management, as well as the implementation of corporate strategy through programs and projects. OPMM is, as it says, the maturity of OPM. As the organizational project management maturity increases so does the function of PMO.

The search for a PMO model to simplify the complex reality can be described by categorization. However, this categorization here below is not the only one that exists.



The PMO types are usually categorized into three main groups, but the name and function of these groups vary between literatures. The Gartner Group identified a growth in PMO functions overtime, through three stages of maturity or PMO models.

1. The “Lite” PMO model, also known as PMO-light or Supportive-PMO. This is where PMO usually begins. PMO acts as a consulting capacity providing PMs with training, guidance and best practices. Responsibilities are limited to the repository of information on methods and standards.
2. The “Coach” model, also known as PMO-Hybrid or Controlling-PMO. PMO coordinates communication, monitors and actively supports projects and people with consulting service or training.
3. The “Manager” model, also known as PMO-Heavy or Directive-PMO. PMO plays more proactive role and is responsible for the project outcome. In some cases PMO may run projects directly. This model is said to be supportive of senior management due to involvement in portfolio management and strategy.

The Gartner Group categorization follows the project management maturity of the organizations. As the project management maturity increases the PMO moves to the next stage. At each stage of the PMO categorization the functions and focus are different, from supporting individual project with standards and methods to supporting senior management in alignment to strategic objectives, project selection and prioritization. This is also called the PMO life cycle model (PMOLCM) and is described more thoroughly in Figure 2 below.

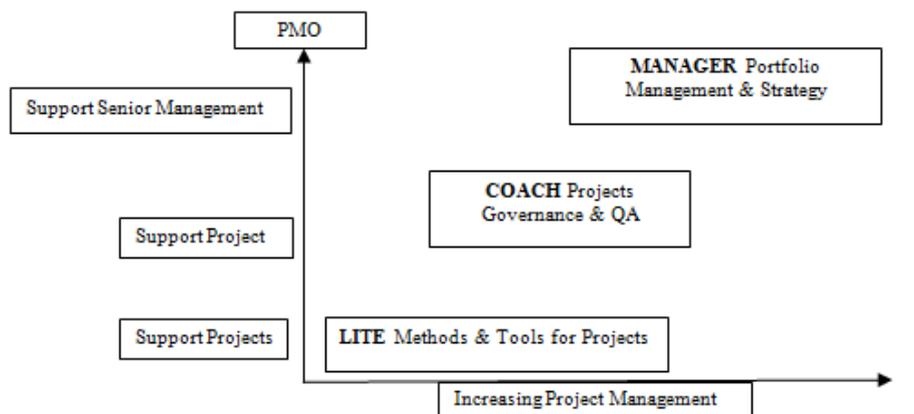


Figure 2: PMO Life cycle

From Figure 2 it can be seen that as project management maturity increases so does the PMO focus. Newly established PMOs usually do not have sufficient project management practices in place and begin to follow the Lite PMO model at first and work their way up the ladder to the “Manager” model. Not all organizations are interested or have the need to have the highest model in place.

Hill (2004) proposed a five stage competency model for the PMO. The PMO shows detailed change in roles and responsibility as the project maturity of the organizations becomes greater. This model is similar to the model above but in this model the PMOs competency has been divided to five stages, not three like the previous one.

The five stages are:



1. Project office: Prepares and manages project plans, reports and documents by using established project knowledge management tools.
2. Basic PMO: Introduces essential project information management capability. Develops project management reporting and collaboration procedures. Provides tools for managing information. Creates methods for gathering and using feedback and lessons learned information.
3. Standard PMO: Introduces automated tools and practices for project knowledge management. Installs project management methodology tool. Builds a project management information system.
4. Advanced PMO: Expands knowledge management tool functionality for business use. Develops web-based project team knowledge spaces. Implements a web based project team collaboration tool. Installs on line project portfolio management tool. Introduces an on-line executive dashboard.
5. Centre of Excellence: Analyses project knowledge management system capability. Examines project knowledge management business value and benefits. Recommends advanced tools and knowledge management capabilities.

These five stages represent a progressive competency that can be attained within the PMO and host organization. Maturity and PMO hold hands in organizations. The greater maturity that the organizations and PMO achieve the greater responsibility PMO achieves. PMO develops from basic project oversight to a Centre of Excellence. This is closely aligned to the strategic business goal of the organization.

STRATEGIC ALIGNMENT				
BUSINESS MATURITY				Stage-5  <b>Centre of Excellence</b>
PROCESS SUPORT			Stage-4	
PROCESS CONTROL		Stage-3	Advanced PMO	Manage continuous improvement and cross-department collaboration to achieve strategic business goals.
PROJECT OVERSIGHT	Stage-2	Standard PMO		
Stage-1  <b>Project Office</b>  Achieve project deliverables and objectives for cost, schedule and resource utilization.  *1 or more projects & 1 project manager	Stage-2  <b>Basic PMO</b>  Provide a standard and repeatable PM methodology for use across all projects.  Multiple projects/ PM's/ PMO staff / Program Managers	Stage-3  <b>Standard PMO</b>  Establish capability and infrastructure to support and govern cohesive project environment.  Multiple projects/ PM's/ PMO staff / Program Managers / Senior Program Manager	Stage-4  <b>Advanced PMO</b>  Apply an integrated and comprehensive PM capability to achieve business objectives.  Multiple projects/ PM's/ PMO staff / Program Managers / Senior Program Manager / Director	Stage-5  <b>Centre of Excellence</b>  Manage continuous improvement and cross-department collaboration to achieve strategic business goals.  Multiple projects/ PM's/ PMO staff / Program Managers / Senior Program Manager / Director / Vice President

Figure 3: The changing role of PMO

According to Figure 3 it is presumed that at higher stage, the PMO has already reached the competencies in the lower stages. Therefore if organizations want to reach Stage 3, standard PMO, it will have to ensure that it has achieved the competencies prescribed for Stage 1 and 2. It is worth to mention that not all organization may



need to have a PMO at Stage 5 of the continuum to achieve their organizational objectives. In fact, most organizations have established Stage 3, standard PMO, which is more than adequate.

### **3.2. PMO Role and Responsibility**

As stated above, Project Management Office (PMO) is defined by its core activities and its distinction to the activities of project, program and portfolio management. The roles of PMO vary between configurations, organizational maturity and organizations and therefore the exact role of PMO is difficult to determine since it depends on the needs and culture of host organizations. As Project Management Office seeks to improve the project work within organizations it uses established project knowledge management tools to prepare and manage project plans and to collaborate on project team performance and consequently impact the overall project result. It helps both the project managers and the host organization to understand and apply professional practices of project management as well as to adapt and integrate business interest into the project management efforts.

The PMO can provide operational support to different projects in the organizations by supporting the project management processes and even assisting with selection of projects. Along with that it can perform benchmarking of processes and results as well as contributing to the enhancement of maturity and effectiveness of the companies in the project management.

Consequently the four main roles of PMO in organisations are:

1. Monitor and control project performance
2. Development of project management methods
3. Strategic management
4. Organizational learning

Despite these four main roles mentioned above it is not necessarily true that all roles are suited for different organizations. Each organization is different and has different problems and needs. Responsibilities can range from providing project management support functions to actually being responsible for the direct management of projects. Therefore PMO configurations can have many different roles which lead to a wide spectrum of roles in PMO. Some of these roles have been listed here below for deeper understanding of the main purpose of PMO in organizations. These roles are:

- Identify and solve problems
- Provide ongoing guidance and consultancy
- Cost reduction
- Keep stakeholders informed with up to date accurate information
- Support ongoing improvement in project management
- Support strategic planning in the high level management of organizations
- Develop methodology, reporting, tools, techniques, templates and forms
- Project planning and scheduling, risk analysis and project tracking
- Aligning project delivery with strategic business goals and priorities
- Requiring that every project has an effective project manager
- Implementing an appropriate project management methodology
- Consistent management and oversight of the project portfolio
- Obtaining and maintaining company leadership and support

This list of roles is not finite and does not apply to all types of PMO. It is unlikely that any individual PMO will implement all the roles. PMO is continuously changing and consequently the roles do as well. The most important factor is that the role of PMO is well defined at each time and understood by everyone in the organisations for support in order to prevent it being compromised.

### **3.3. PMO Decision making authority**



One of the main problems of PMO is that they may have certain roles to fulfil but the decision making authority might not be in place to support the PMO in order to fulfil those roles. The decision making authority varies between PMOs and host organisations and as it can be seen in Figure 4 the distribution of decision making authority is close to normal distribution. This figure can be related to Hill's competency model in Chapter 2.2.1. According to his model, most organizations establish stage 3, Standard PMO which has some authority. According to Figure 4 that is the most usual case.

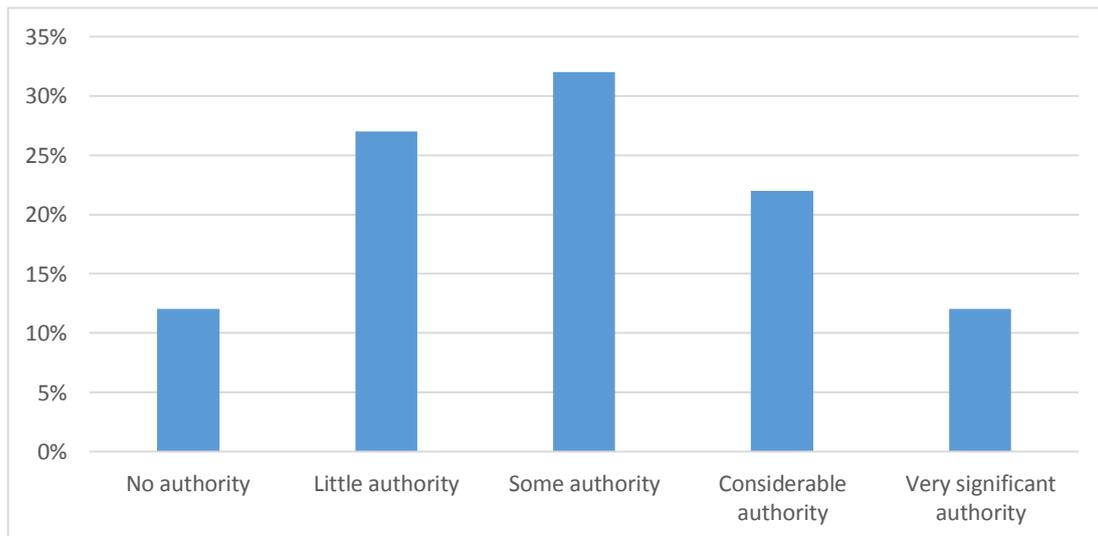


Figure 4: Decision making authority of PMO

Around 40% of PMOs are in supporting role with little or no decision making authority while around 60% have at least some authority to make decisions to allocate resources or initiate change or cancel projects. This illustrates the great variety of roles that different organizations assign to their PMOs. This leads to the question, how organizations implement PMO in concern of role, decision making authority and etc.

## 4. Implementation of PMO

### 4.1. What are the benefits of implementing PMO

Like mentioned in the Introduction, changed conditions in markets have called for new innovative ways of organizing organizations. As organizations grow in size and scope they take on increasingly complicated projects. However they have not necessarily made the same advancements in their project management practices. This can lead to increasing project failure rate and organizations have responded by implementing a new organizational entity, a PMO (PMI, 2012). In large organizations with many employees it can be difficult to achieve similar procedures and good results from all projects. Many projects take place at the same time and it can be easy to lose control over the corporate strategy, project portfolio and the coordination of the projects. Therefore it is important for organizations to be able to support the project managers with approved models, procedures and a defined way of working. The solution to these problems could be implementing a PMO and organizations will achieve project management oversight, control, support and alignment.

Michael Stanleigh (2006) asked 750 organizations in his research why they set up PMO. These are the answers:

- More successful projects (82%)
- Predictable, reusable PM tools, techniques and processes (74%)
- Organizational improvements (66%)
- Helps to build project management-oriented culture (64%)
- Increases staff professionalism in project management (48%)



Implementing a successful PMO can therefore result in reduced cost delivery, improved quality in project result as well as superior source management and more effective results for the organizations. PMO can be a unique and critical entity for the success of a number of organizations. It provides overview of the projects and programmes within the entire organization.

Table 1: Main benefits of PMO in organizations

Reduces Risk	Keeps Projects on Budget	Keeps Projects on Time	Ensures Improved Project Quality
Centralised repository for shared risk	Coordinates overall resources	Sets overall policies and procedures	Operates and manages overall project tools
Centralised proactive management initiative to combat project risk	Enterprise management of budget resources	Provides universal templates and documentation	Centralised communication management
		Enterprise management of project timelines	Provides mentoring and skill development
			Repository of best practice information
			Provides Quality Assurance for all projects

Table 1 highlights the benefits of having a PMO in organizations. The characteristics that produce the benefit are listed below each factor. But is it necessary and beneficial for all organizations to implement a PMO?

According to Mastering Project Management (2009), if these factors are in place or happening in the organizations, then there should be no hesitation to implement a PMO:

- Available budget: Implementing and running a PMO is expensive. Therefore this can be a barrier for many organizations.
- High number of concurrent projects: Organizations need to establish procedures for how projects should be run.
- High percentage of failed projects: Lack of standards and policies. This can affect the efficiency and the productivity in the project.
- Repeated project management issues: PMO becomes centre of knowledge and will share the “lessons learned” from other projects.
- High number of inexperienced project managers: The PMO is the responsible entity for developing education and support for new project managers. The experienced project managers also need continued education and training.
- Need for centralized project monitoring and control: What PMO stands for.
- Greater demand for resources: Number of ongoing projects increases and they are becoming larger which leads to that the demand for resources becomes greater. By paying attention to the demand of skilled project teams and the inventory of skilled team members, the PMO can maintain the proper balance through training.

Consequently, PMO becomes the entity with the most knowledge of the projects in the organizations and will continuously be working towards improvement for the project managers. Furthermore PMO enhances sharing



of knowledge and learning which prevents the same mistakes happening repeatedly as well as enabling project managers to improve their skills and knowledge in managing projects (Mastering Project Management, 2009). However, in order to reap the advantages mentioned above there are certain steps that need to be followed when implementing a PMO.

#### **4.2. How to implement a Successful PMO**

While today PMO is a high-flying feature in organizational project management, the underlying logic that leads to successful implementation is still not understood.

Implementing a PMO within organizations is a decision that has to be well grounded. It is an important organizational change that is a difficult challenge for most organizations. Based on Michael Stanleigh's survey (2006) the failure rate of PMO implementations is very high, about 75%. The main reason for failure in implementation is because the PMO fails to demonstrate any added value to the organizations. They are seen as too costly and are contributing diminutive to project and program performance.

According to the findings that Aubry, Hobbs and Thuillier made in 2008 there are two points that should be kept in mind when implementing a PMO. First, PMO should not be considered to be an isolated island in organizations, but as a part of an archipelago, defined as the organizational project management. Second point is that the organizational project management and specifically PMO evolve continuously and are adapting to changes in their external or internal environment. Furthermore they are unstable structures that need to be reconfigured every few years.

1. **PMO Initiation:**

To initiate PMO, roles have to be defined and sponsorship obtained. Then the forming team secures funding and a steering committee is appointed which has the role to ensure a complete support of the PMO across the organizations. Organizational goals are defined, physical location of the PMO is established, roles within the team are defined and employees are appointed to these roles

2. **PMO Planning:**

The next step in PMO Life Cycle is to list the service that the PMO will offer in an execution plan. Once the execution plan is organized, the PMO selects the methods, standards, processes and tools that the organization will adopt. In this phase the following activities should be completed:

- Adopt methodology
- Adopt standards
- Adopt processes and tools
- Adopt software
- Adopt knowledge base

3. **PMO Execution:**

The execution phase is an ongoing operational phase of the PMO. Four types of services are offered during this phase, they are:

- General services are offered by all PMOs
- Supportive services provides support to managers and teams
- Controlling services assess, review and audit project status
- Directive services are used to directly manage projects

4. **PMO Improvement:**

After execution phase has been operating for reasonable period, it is time to expand and improve working methods. This is done by:

- Improving PMO operation by measuring the effectiveness, implementing changes to existing services and adding new services.
- The PMO has access to the overall capability of the organization to deliver acceptable project results on time and within budget. By viewing these factors the PMO can develop and implement a long-term plan to improve project management maturity in the organizations.



The improvements above are quite extensive. They require additional planning and commitment of additional resources to undertake the extensive amount of change required to continue to improve the overall level of project management success in the organization.

#### 4.3. Main Challenges of Implementing a PMO

When implementing a PMO even though when following the procedures, listed above Chapter 2, there will always be some challenges to overcome. Managers often lack the guidance of overcoming the challenges they are likely to encounter and the challenges that are likely to come up vary between organizations as well as between PMO structures. Regarding PMO structure in implementation it has been stated that PMO-light implementations are significantly easier to manage than PMO-heavy. PMO light implementations face lower resistance as they involve lesser degree of change in comparison to PMO heavy.

Singh *et al.* (2009) present the top challenges and some series of action that can be taken to consideration before and while implementing a PMO:

- Rigid corporate culture and failure to manage organizational resistance to change
  - Have a strong PMO defender who evangelizes the value of PMO
  - Start small and demonstrate the value of the PMO with some early success
  - Identify and seek support from opinion leaders within the organization who favour the PMO implementation
- Lack of experienced project managers and PMO leadership
  - Hire an experienced program manager who understands the culture and power relationships within the client organization
  - Bring the most talented project managers into the PMO implementation team
- Lack of appropriate change management strategy
  - Adopt a flexible change management strategy that fits the organizational needs
  - Employ process standardization prior to PMO implementation

Among these challenges above there are many aspects that have to be taken into consideration. PMO tools are difficult to implement unless the project management culture has been established. Project management must be a part of the company's culture and the culture has to be open for new way of working in order for the PMO to become successful.

A clear mission from the beginning and a goal that everyone is following is crucial in order to succeed. In some organizations, low position of PMO in management structure is inhibiting the PMO to become as successful as it could. Therefore it is important for everyone to agree upon structure and scope of governance in the PMO. In the literature the PMO has been seen as too authoritative and trying to micromanage projects. Among these points here below are four pitfalls that PMO implementations attend to fall in:

- Not defining PMO value proposition
- Lack of perceived impact of PMO on project delivery abilities
- No buy-in from senior functional managers
- PMO creating unnecessary overhead

According to results from Singh *et al.*, (2009) research, the main road block in implementing a PMO is the human resistance to change. It is difficult to change the way people think and are used to do things in organizations. The common thoughts are; "it works the way we do it then why change it?", "I have always done it like this". Successful implementation requires a change in mind set and a shift towards a more project-centred organization.

The PMO team should consist of people who are the most experienced in project management, have operational roles and responsibilities that require these skills. The qualities that make for an effective PMO director may be quite different from qualities that make for an excellent project manager. Project managers might be better at coordinating and influencing their work within the team, but they often fail to manage the



clients' requirements and expectations at a strategic level. In situations that require a lot of interaction with various stakeholders, the person who fits the best for that is the one that has been in the organization for years and is trusted and accepted by the key stakeholders. This person understands the culture and power relationships within the client organization and should take on the role of program management to guide the program in consultation with the stakeholders to oversee the PMO implementation. PMO implementations often get into trouble when there is a lack of understanding and participation by some stakeholders.

PMO implementation involves managing all aspects of change in the organizations, including people, process and structure issues. Therefore one of the most difficult aspects of establishing a PMO is to evolve and implement a clear change management strategy that looks beyond the immediate needs of the PMO project. The change management strategy has to manage the change process while implementing a PMO but also make sure that the implementation process will be harvested in the daily work of a PMO.

One strategy of dealing with rigid corporate culture and overcoming resistance to change is to start small and to demonstrate the value of the PMO with some early successes. Start small with pilots and pathfinders, introduce and influence them about the benefits of implementing PMO. When they get excited about the value and personal benefit from the implementation, they become additional supporters for the organization and will help with the rest of implementation.

## **5. PMO Lifetime**

Corporations are spending millions of dollars on project cost overruns and despite the money being spent; the project outcome does not reach customer expectations. Along with this the wrong internal resources are often being applied to projects, further decreasing their chance of success. Therefore organizations are losing billions in wasted project spending. This waste is more often hidden from management and investors. One of the main reasons why projects fail is that metrics and best practises for project management are few and far between each other in order to work. Furthermore projects are not aligned with the goals of the organization. Organizations have set up PMO as a tool to improve the situation but without much success. Evidence show that PMOs fail more often than they succeed, over 75% of organizations that set up PMO shut it down within three years because it didn't demonstrate any added value to the organization. This brings up the question: Why are PMO's continuously failing?

### **5.1. What Factors Weaken PMO**

#### **5.1.1. Wrong PMO Strategy**

The reason why most PMOs fail is possibly because they don't have good strategy in place. According to Stanleigh (2006) there are four key factors that will immediately make a difference for PMO and organizations. They are;

- Ensure that all projects are strategically aligned. How?
  - Review lessons learned from previous projects
  - Develop criteria against which all projects can be prioritized
  - Align projects with corporate and departmental strategic plans
- Create a culture that supports a project management environment
- Implement strategic project management best practices
  - PMO must hold "Project Close-out Meeting" as soon as possible after project completion
  - Outcome of meeting is document of "Lessons Learned"
- Create a strategic project measurement system

When projects are in alignment with corporate goals, they are more likely to be able to meet profitability targets and generate necessary return on investment. It is important that the organization is working as a whole to reach the corporate goals and this includes the PMO.

#### **5.1.2. Tension between PMO and the host organization**



The PMO should no longer be considered an isolated island within an organization. PMO is deeply embedded in its host organizations and they two co-evolve. Organizational tensions are among the primary drivers behind the implementation and reconfiguration of PMOs. These tensions bring out the importance of organizational politics. PMOs and other structures that are put in place to manage multiple projects are part of a political system that plays an important role in organizations. Power and politics should be examined at organizational level and integrated into organizational project management.

Empirical evidence shows that PMO life expectancy is approximately two years. PMOs are dynamic entities created to solve problems within organizations and by that they need to enforce some kind of a change. That implies short life expectancy for PMOs. The major reason why PMOs are short term entities or fail is because they do not fit in the organization's context. They are too ambitious, enforce changes that not all employees agree with and the last but not least they often lack management support.

The first step in delivering what the organization needs is to know what the organization wants. "A good PMO leader should go to the executive team and ask, "What are your top three problems" and then set a mission and goal around solving them" says Mr. Perry, author of business driven PMO setup. Then at the end of the year there is no doubt that the PMO was successful and that is how PMO survives.

De Mello Pires says that one of the PMO let downs is the failure to get everyone in the organization on the same page. Executives want transparency and project managers need an advocate. By working across all levels of the organization, PMO help project teams and the company leader's to work in harmony. It is important to talk to both sides. When the strategic and important projects of the organizations are completed with success and with the expected return, the value and importance of PMO is recognized by all.

But if the wrong strategy is in place or has been from the get go, is it possible to change the PMO without closing down and starting it up again? Yes, reconfiguring an existing PMO is common in most organization and if it is done right it can succeed and become successful solution to the organization.

## 5.2. Reconfiguration of an existing PMO

Reconfiguring an existing PMO is an important organizational change. Given the ever changing nature of organizations and its culture it can be said that PMO is organizational innovation in the sense that it is a recent and important phenomenon that changes and still evolves. It may take a considerable time before a discernible pattern is to emerge in PMO, if it emerges at all.

As mentioned before, research results have shown that the average age of PMO is approximately two years, after two years the PMO is either shut down or reconfigured due to change in the organization and culture. This change is often part of a wider organizational reconfiguration. PMO is a socially constructed entity that in turn shapes the organization. The PMO and its host organization coevolve. Figure 5 below describes the reconfiguration process where possible patterns are found that could simplify and explain the reconfiguration.

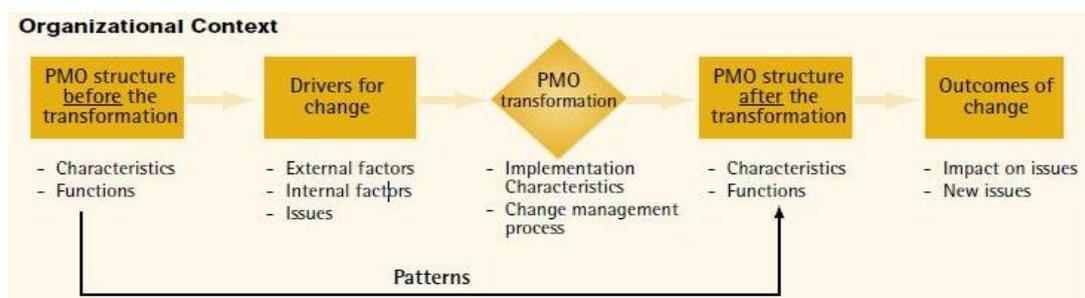


Figure 5: Conceptual framework for PMO in transformation



Organizational tensions are among the primary drivers behind the reconfiguration of PMOs. PMO structure before the transformation is influenced by political forces and tensions that shape a new political environment (box 1). Tensions often build up slowly as conditions (box 2) until a breaking point is reached at which time a change in the structure will take place, modifying or eliminating the source of tension (box 3, diamond shaped). New PMO structure is replaced after transformation (box 4) and it is not perfect like anything else in life. Tensions are present at both ends of the structuring process (box 2 and box 5). They serve as a set of conditions and once a new structure is put in place, new tensions emerge as consequences of the new structure, see Figure 6. These conditions act as drivers for PMO transformation and have been divided into internal and external drivers in figure 6 here below.

When new PMO structure has been implemented impacting the previous issues new issues arise that come with the new PMO structure. These issues are consequences from the transformation but work the same as conditions as before. From this a pattern can be seen that PMO tensions are difficult to solve despite continuous reconfiguration.

Five tensions have been identified: economic-, political-, client relationship, standardisation versus flexibility and controlling the project machine. These tensions will be described here below:

- **Economic:** The source of economic tension is double. The cost of running a PMO and the project performance. PMO's are expensive for organizations. Their return on investment should be positive but in most cases it is not. Project performance is often used as key performance indicator for PMOs. If it is poor it brings PMO legitimacy into question. The PMO are often under the pressure to show value for the money and in some cases if project performance is improved the PMO is no longer seen as useful.
- **Political:** Political tensions emerge around issues of power and control. The power to manage projects is the most important tension. The power is sometimes unclear or PMs have a hard time taking orders from staff members of the PMO. PMOs sometimes play a detective role to make sure that no information is hidden. Due to this the climate of trust is difficult to establish and tensions can become very apparent.
- **Client relationship:** From PMO perspective there are two types of clients: Their own clients from their deliverables and the clients of projects that are realised in the organizations. The tension is primarily on the second type. A PMO can easily be discredited when it has the wrong perception of projects.
- **Standardisation/flexibility:** PMOs often have the responsibility of developing and standardizing methodologies. The development of these tools is very often with contributions from all entities involved in project deliverables. When it is time to put the methodology in application, confrontation is rather the norm. This is related to the issue power and control.
- **Controlling the project machine:** This expression is used to evoke two versions of the same tension; the machine should be upgraded or raced out of control. Increasing the organizational capacity to deliver projects brings up problems around resource allocation. Reducing this capacity is more subtle and brings tension between PMOs and functional or business units.

As demonstrated above in figure 5, there are set of conditions that act as drivers towards PMO transformation. These PMO drivers can be divided in two categories from their origin, external and internal context. See Figure 6 below:



### A Typology of Drivers of Change

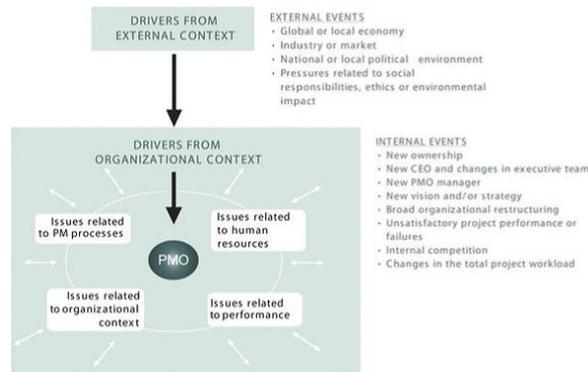


Figure 6: Drivers of PMO transformation

In the internal context there are three events that appear the most and are altogether the most important category of internal drivers. They are: Global reorganization, new CEO and new PMO manager. These events happen often together. When or if these events happen it is important to be aware that they might lead to PMO transformation.

In the external context there are different events that come up, for example, political environment, environmental issues, economy etc. These events, both internal and external, have different power, some might be more powerful while others might play important role in certain circumstances. In Figure 6 those drivers are listed more carefully.

## 6. PMO Methodology

The main purpose of having a methodology description is to explain how the progress and justification of this research will be done. It gives a different view of how the work was conducted as well as why and in what way the researcher chose the specific method. It is very important to get a persuasive research result, therefore the choosing of one or several suitable methods can be the vital part of the research work.

In general, the project management methodology refers to the processes, procedures, templates, best practices, standards, guidelines, policies, etc. that you use to manage projects. The methodology must also be adaptable to meet the changing needs of the business, and it must add value to the projects that utilize it. In addition, as new technologies and methods emerge, the methodology should evolve to reflect those improvements.

All projects create deliverables / products. At the end of many projects, the deliverable that is produced needs to be supported and maintained for some period of time into the future. In many cases the product, and the related support, can go on indefinitely.

Project management methodology should be viewed in terms of a product. The methodology is deployed into the organization through one or more projects. The processes, templates, training, etc. that make up the methodology are some of the deliverables that are produced. These deliverables, and the methodology in general, need to be supported and improved over time. The support could be very simple. For instance, you may decide to redesign a template based on feedback from members of your organization. On a more complex note, the PMO may be asked to implement processes in new areas. For instance, after the basic project management rollout, your sponsor may ask the PMO to implement a metrics program within the organization.

The point is that coming up with the holistic approach to implementation, and then having a successful rollout, is only part of the long-term focus of the PMO. The PMO needs to continue to support and update the methodology, and continue to make sure it is relevant in the organization. The initial development and the subsequent support of the project management processes are known as Methodology Management.

There are three major areas of methodology management – methodology development, support and enhancement.



### **Methodology Development:**

In the past, if you wanted a project management methodology, most companies spent the time to develop one from scratch. This was not necessarily difficult, since most of the basic project management processes have been known for some time. However, developing a process from scratch could be very time-consuming, especially if it is built at a detailed level.

With the arrival of the Internet, other options are available. New methodologies have been developed and introduced into the marketplace. Now, just as with a software package, there are three ways to obtain a project management process.

**Build:** Companies still have the option to build a custom methodology from scratch.

**Buy:** There are now alternatives to look at to purchase and bring in-house. Consultants tend to have methodologies, some of which are strictly for internal use, and some of which are for sale to client companies. These can still be expensive, although in many cases they are priced very reasonably. If you purchase a methodology, you might be ready to start training and rollout within 30 days.

**Buy and customize:** The third alternative is to purchase a methodology as your starting point and then customize it based on your own needs. This allows you to only spend the time required to develop or integrate your own organization standards, templates and processes.

### **Methodology Support:**

There is an old adage about the deliverables produced by projects. That is, the day you begin to deploy your product is the day you need to be prepared to support it. This is true with project management methodology as well. When you provide templates and training to the first people in your organization, you must be prepared to support the people and the products from then on.

Examples of support include:

- Answering questions about the methodology and how best to apply it on individual projects.
- Helping people find things.
- Maintaining the document repository if there are hardware, software or linkage problems.
- Providing ongoing training classes for new and current employees.

### **Methodology Enhancement:**

The last category of methodology management is the enhancement of the methodology over time.

This includes areas such as the following:

- Expanding and extending the current processes. For instance, you may initially deploy a basic quality management process, and then later extend and expand the processes to raise the quality bar higher.
- Creating new training classes and extending the entire project management curriculum.
- Enhancing processes and templates to make them more valuable and easier to utilize.

Enhancements don't have to imply more and more processes and templates. It is possible that you could be reducing as well. For example, you may have had two Status Report templates for two different stakeholder audiences that can later be consolidated into one. One caution for PMOs is that you don't want to over engineer the project management process. If you do too much extending and have too many methodology requirements, you will start meeting resistance from project managers who think the methodology is getting in the way of delivering projects faster and cheaper.

### **Conclusion**

Selecting the most suitable project management methodology could be a tricky task. When it comes to selecting an appropriate one, there are a few dozens of factors you should consider. Each project management methodology carries its own strengths and weaknesses.

Therefore, there is no good or bad methodology and what you should follow is the most suitable one for your project management requirements.



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