

WHY PMOS FAIL:

# ... and How to Ensure Their Success

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## INTRODUCTION

The concept of a Project Management Office (PMO) was born in the late 1990s in response to the ever-increasing need of organizations to improve the success rates of their projects. The PMOs at that time were small in number, formed primarily by the IT departments of large corporations that were experiencing scheduling delays and quality issues with their projects.

The primary focus of the PMO was to implement governance and best practices to reign in runaway projects. Later, in the early 2000s, PMOs began springing up more frequently, with broad charters that extended beyond the simple implementation of project management principles. Most were still in IT, but best practices became formalized into comprehensive System Development Life Cycles (SDLC), and PMOs began providing training in both SDLC and project management skills, including leadership and communication.

By 2014, 90 percent of large organizations had established one or more PMOs, and many were outside of IT. Yet, at the same time, an alarming trend was coming to light: a large number of PMOs were failing.

According to the Association of Project Management, 50 percent or more of PMOs have failed during the first three years of their existence. Perhaps even more disturbing, only 33 percent of PMOs reach their potential of delivering value to the organization. These statistics do not mean the PMO is heading toward extinction. Even in the face of these daunting statistics, the Project Management Institute reports that 90 percent of large enterprises still have active PMOs. This means a large number of new PMOs are failing, only to be replaced later by other PMOs; a wholly inefficient process.

This white paper outlines a number of the reasons for these failures. It also explores what can be done to avoid the pitfalls that doom so many PMOs, and outlines an approach to increase longevity and long-term value delivery.

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## PMO Definition

According to the Project Management Institute, a Project Management Office (PMO) is a management structure that standardizes project-related governance processes and facilitates the sharing of resources, technologies, tools and techniques. A PMO can take many forms, depending on the needs of the organization. Most commonly, it is a team of project managers that provides guidance for and/or control of project execution across an enterprise, department or program. When implemented successfully, PMOs increase the timeliness and quality of project deliverables by applying best practices and process controls. But unlike more permanent organizational functions, like Finance or HR, the PMO is considered a service organization that may be disbanded when no longer deemed necessary.

For a PMO to continue delivering value, it must adapt to the changing needs of its organization, whether those are driven by market forces, technology or new strategic directions. To understand when and how a PMO needs to change, we must first examine in more detail how PMOs are organized and the role they play within an organization.

## PMO Organization

Broadly speaking, a PMO can exist at one or more of three levels within an organization: the enterprise level, the departmental level and the program or project level. In addition, an organization may have more than one PMO. These can be tightly integrated or loosely coupled, often depending on the enterprise structure and culture; highly centralized organizations tend to have integrated PMOs, for example, while decentralized organizations do not.

**The Enterprise PMO** seeks to implement organization-wide or cross-department strategic initiatives. These are often large, complex portfolios of programs/projects that require executive sponsorship and a high degree of integration. For example, a hotel chain's strategy for improving customer satisfaction may include projects to update accommodations and improve the reservations website, while a third project monitors social sites looking for clues to the success of the strategy. The enterprise PMO pulls together information from all three, advising on the overall success of the strategy.

**The Departmental PMO** is based on a division, department or other organizational unit out of which programs and projects are based. These programs and/or projects may be strategic in nature, like a manufacturing plant retooling for a new product line, or may be solely focused on the goals of an organizational unit, like a project working to reduce the plant's scrap rate.

**The Program or Project PMO** typically supports a single, large initiative. Once the program or project is complete, the PMO closes.

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## PMO Functions

The role of a PMO varies from one organization to the next, but the activities of most would fall into one of three main functions: align, manage or operate. Each of these functions is made up of several specific activities.

### Align

- **Advise:** A PMO should provide advice on key decisions and issues facing management, ranging from personnel assignments to technologies needed for a project.
- **Prioritize:** A PMO should work with management to determine which programs/projects best achieve the organization's goals and create plans to execute those programs/projects.

### Manage

- **Methodology:** Create and maintain processes, procedures and tools needed to manage projects.
- **Staffing:** Provide the resources for project management without necessarily directing the activities performed.
- **Training:** Educate organizational members on the best practices and methodologies related to project management and execution.

### Operate

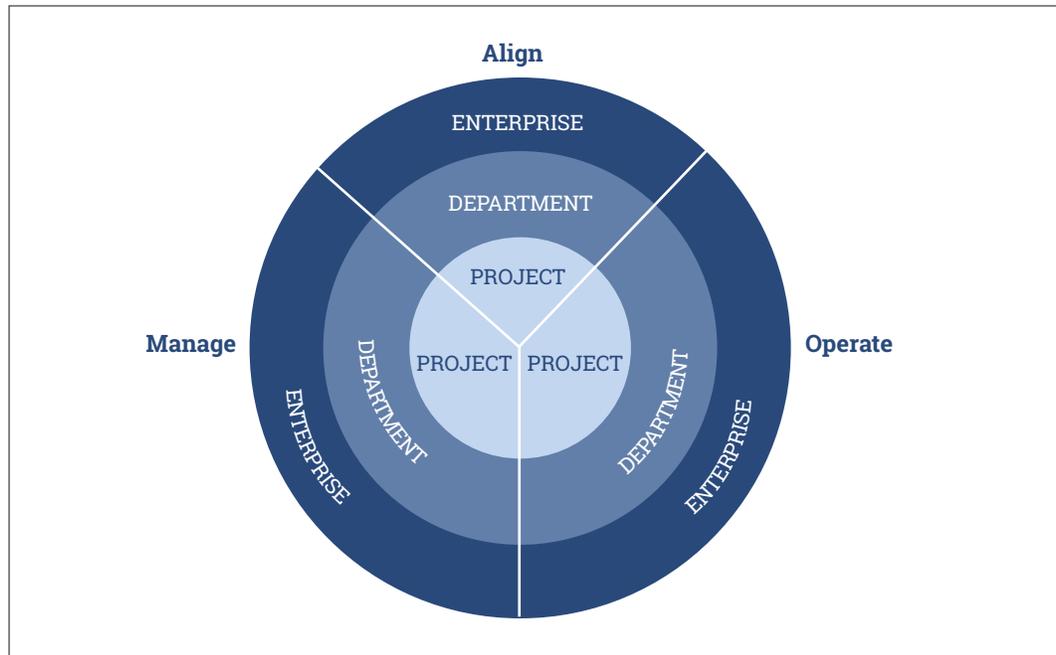
- **Governance:** Ensure processes and controls are adhered to. Doing so can take the form of simply receiving and storing standard project deliverables, such as charters and schedules, or could be more comprehensive, as in auditing projects to ensure compliance to procedures.
- **Management/Integration:** Direct planning and management of programs/projects and coordination of project activities across a department or enterprise. PMOs may also integrate efforts across a department or enterprise. For example, a company's multi-channel marketing initiative that uses different vendors for social, email and direct mail communications requires coordination and integration to succeed. To read more on project management in a multi-vendor environment, see [Fixing Project Management: A Must Have.](#))

Whether a PMO provides alignment, management or operational support, none is mutually exclusive. Depending on the organization's needs, it could implement any combination of these with varying degrees of depth and rigor. Often, certain activities, such as developing a methodology and then training the staff on it, naturally occur together. Ultimately, however, the needs of the organization determine the PMO's role.

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The diagram at the top of the next column illustrates how a PMO can perform the three functions—align, manage and operate—at any or all three levels of scope. Each level requires a different execution. For example, aligning at the enterprise level may involve program/project selection, while at the project level it might require resource balancing to meet a schedule. Given the different options, it is important that the organization understands the PMO’s role so it can support the company’s needs and deliver maximum value.

### PMO Scope and Function



### Common Pitfalls

#### Focus on Compliance

With a clearer understanding of the scope and functions of a typical PMO, we can now examine the risks to its success. To start, let’s look at the origins of many PMOs and why they come into existence. Early in the evolution of the PMO, many companies implemented them to ensure adherence to project management best practices in both processes and tools. The charter of these PMOs focused on governance and control. And, while these PMOs often drove consistency in execution, communication and measurement, they were often perceived as “methodology cops” that introduced another layer of needless bureaucracy.

#### Lack of Measures

To make the situation worse, the “cost” of complying with a PMO’s directions has not always been seen to be worth the increased value of the projects’ deliverables. Too often, companies equate money spent on a PMO with overhead—unlike traditional support functions like Finance or HR—and consider eliminating the PMO the moment the value delivered is

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perceived as less than the cost. Furthermore, the benefits of a PMO, once it is established, are taken for granted and assumed permanent and no longer viewed as contingent upon the PMO's continued existence. Thus, the survival of a PMO depends on measuring and providing evidence of the success of its projects.

## **Failure to Evolve**

Change comes in many forms, and PMOs often have struggled to evolve as the business changes over time. Some of the challenges are as follows:

- Reorganizations often introduce new sponsors and stakeholders to a PMO, resulting in new strategies and altering the portfolio's content. For example, the promotion of an executive in a consumer goods company may result in a de-emphasis on traditional marketing efforts and a shift toward a new loyalty points program. This may eliminate many of the PMO's sales and marketing projects. If the PMO fails to recognize the change and refocus its efforts, its portfolio diminishes.
- Shifts in the market can necessitate a reexamination of how the business evaluates projects. This occurred in the oil and gas industry recently when reduced crude prices forced the cessation of new drilling projects and replaced them with cost-containment initiatives.
- Technological upheavals, such as the digital revolution taking place today, drive the need for agile software development methodologies that speed the delivery of new capabilities.

When changes like these occur, the PMO faces a corresponding adjustment. To stay relevant, the PMO must continually evaluate its role. PMOs that fail to evolve with the business risk becoming obsolete.

## **Roadmap to Success**

So what can a PMO do to stay relevant? The causes behind the demise of a PMO can be multifaceted, and the roadmap to success and longevity can be equally complex. There is no silver bullet to eliminate the change that disrupts or kills so many PMOs. Instead, the PMO must learn to rely on the traditional foundation of sound project methodologies and apply strong governance to the organization's changing programs and projects. In today's IT organization, this might take the form of integrating agile development practices into existing methodologies. Project governance in a marketing PMO could involve accounting for recent privacy legislation in projects that gather and use customer information in the digital marketplace.

A successful PMO also must continuously evaluate its scope and functions, adapt to ever-changing business priorities and adjust its service offerings to meet the needs of its constituents. A PMO in a growing firm, for example, may take on project resource management when the number and size of projects increases, allowing the organization to better balance staffing across projects. In an organization that is outsourcing some of its product development from in-house for the first time, a PMO may need to shift from direct management of projects to a more integrative role.

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Most importantly, the PMO must regularly measure its effectiveness in the eyes of key stakeholders so it can judge how it is evolving with the broader organization. This measurement can take any number of forms, ranging from informal queries (e.g., “How do you think we are doing?”), to standard post-project surveys, to more formal assessments. Whatever mechanism is used, knowing how the PMO is performing in the eyes of the business offers critical information for the PMO’s evolution.

How does the PMO keep in touch with the organization it serves and constantly anticipate what changes are needed? The failure rate of PMOs points to the fact that simply keeping in touch with current projects and programs by way of status meetings and gate reviews is not enough. Systematic outreach to executives and key stakeholders is required.

### **PMO Assessment**

The best way for a PMO to measure its success and provide feedback on its value to the business is through a formal and objective assessment. When performed by professionals outside the PMO, this process ensures objective results that are more likely to be acted on by the organization. One of the most effective assessment frameworks is based on a model presented by Pinto, Coda and Levin at PMI’s Research and Education Conference in 2010. This assessment provides specific and actionable feedback to a PMO so it can support continuous improvement and meet the organization’s evolving needs.

The assessment’s structure is adaptable to the various ways a PMO’s scope and function may interact. The first step of the assessment is to determine the PMO’s scope and its key stakeholders. The assessment’s interview questions are designed to measure both the current and desired state for the existing PMO’s scope and functions. For example, to evaluate how the PMO aligns at the enterprise level, executive management is asked how it coordinates and integrates the organization’s portfolio of projects. To assess basic project governance functions, staff are asked how well the PMO develops and implements the project management methodology.

Feedback from key stakeholders is tabulated to create quantitative scores, which are used to assess the PMO capability as basic, intermediate or advanced across the functional continuum. An equally important output of the assessment is the qualitative feedback, opinions and commentary captured during the interviews, which provide valuable insights about how the PMO might best evolve to meet the organization’s ever-changing needs.

With both quantitative and qualitative findings, the PMO can then determine the specific actions that will help it adapt to the needs of the organization. As noted earlier, this could mean realigning PMO resources or adjusting governance procedures to better support strategic initiatives, or it may point to a more radical change, such as evolving from a control model to an integrative one.

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## Conclusion

While the statistics regarding PMO failures are troubling, the future is far from bleak. Understanding how an organization's current needs are being served via a formal assessment gives the PMO the knowledge it needs to evolve and continually bring value to the organization. Some companies use the assessment to guide a PMO through the early stages of growth. Others have used the outcomes to realign a mature PMO's support functions to meet changing business needs. Still others find discussing PMO functions opens the door to the possibility of expanding scope where a PMO may not have been considered earlier. Regardless of the current scope of operations and functions the PMO performs, quantitative and qualitative feedback helps identify actionable ideas for further developing and evolving the PMO.

ISG's Project Management Services can assist in performing PMO assessments and evaluation of the results. With that support, the organization can drive the PMO toward value creation and long-term success.

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