Project Management Institute
Westchester
③ The hub of project management for Westchester and its neighbors

Review of 2008 PMO 2.0 Survey Report – by Gus Sanchez

About the Report

Author   Terry Doerscher - Chief Process Architect, Planview, Inc.
Report Link   http://www.planview.com/docs/Planview-2008-PMO-2.0-Survey-Report.pdf

Note: ALL of the information contained in this document comes from the original report (referenced above). I have summarized and re-created some of the information for the purpose of aiding our discussion at the PMI Westchester Chapter PMO SIG/LIG meeting.

Some review/discussion points

About the Report

- Peer reviewers include Dr. Brian Hobbs, whose original survey we reviewed last year (See PMO SIG site for copy of report)
- There were 455 respondents, the majority or which are assumed to originate from North America
- Few responses came from "traditional physical project sectors" such as construction, aerospace, transportation, energy and defense. The bulk of them came from "knowledge-worker environments" in technology-based service sectors such as insurance, finance, healthcare, product development, engineering, consulting and more.
- Respondents were evenly split between those directly involved with the PMO (sponsors, managers, staff; 51%) and constituents (PMs, functional managers, others; 49%). The pattern of responses tracked very closely between the two groups. There was consistency.
- Organizations characterized as Enterprise (>10K staff), Mid-Market (10K <> 1K staff) and Small (<1K staff). Again, response patterns were consistent across the groups, supporting the original (Hobbs) report that, for the most part, size does not matter. – Though, there are differences in reporting, and some logical evolutions of more robust processes (in larger organizations, etc.).

Some of the Findings

- Traditional scope of a PMO is that of supporting individual or groups of projects (programs/portfolios). That's no longer the case. The modern PMO is extending to a broader scope and including general business management functions, in line with a "center of excellence" model. These additional responsibilities include ALL planned work and resources (sometimes, including operations).
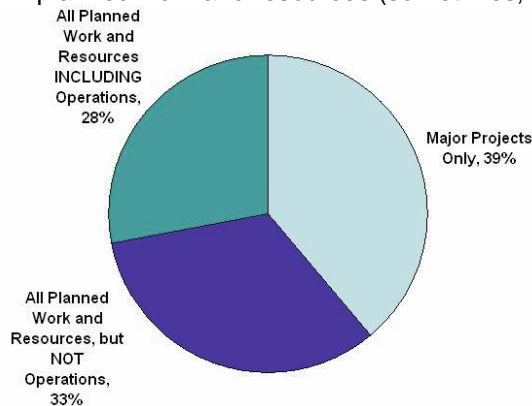
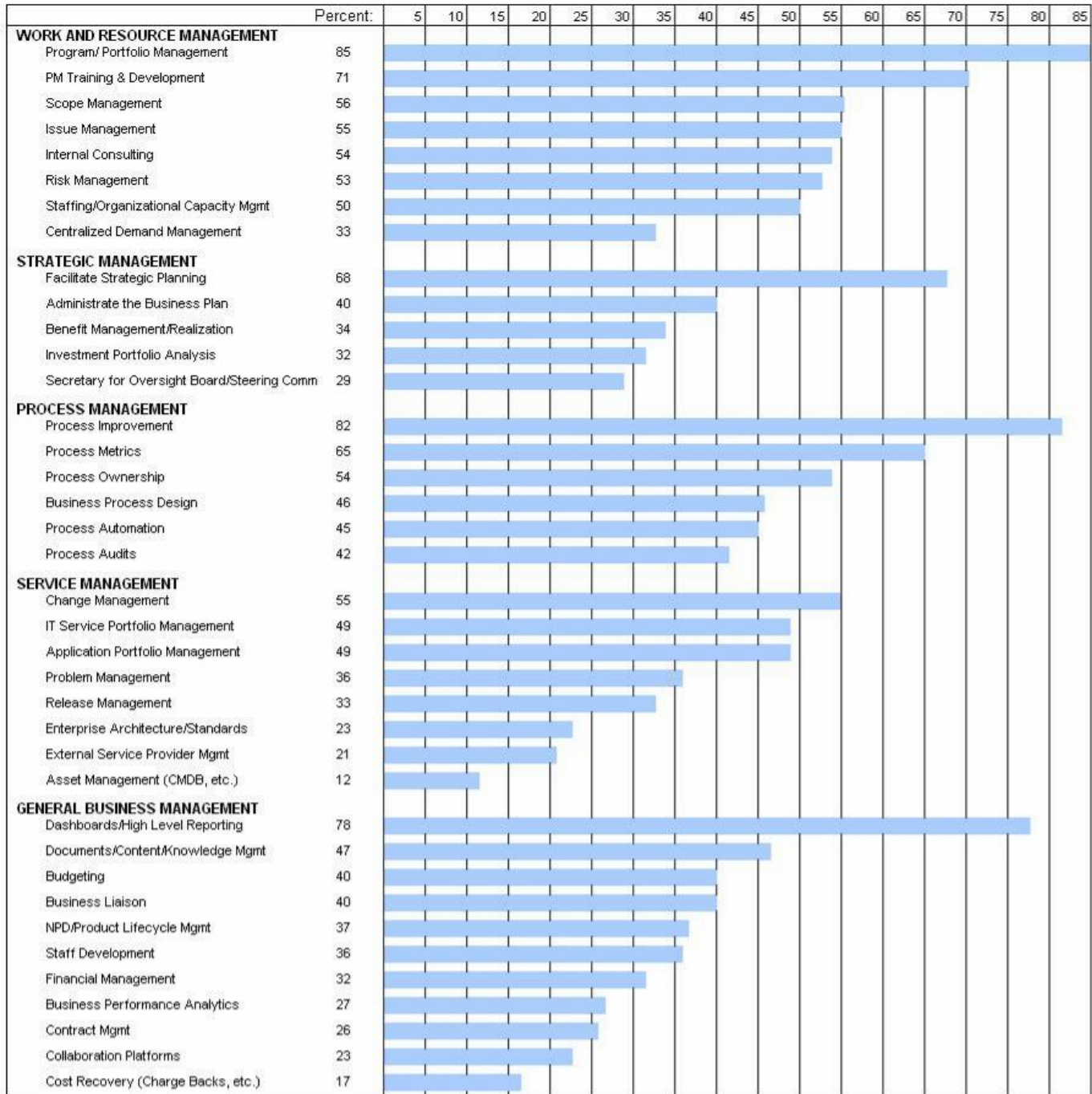**General Scope of PMO Responsibilities**

- Following, is a scope of services covered by "today's PMO". Supporting the expansion (of PMO scope) are the bullets in Strategic Management: 68% involved in strategic planning, and 40% administering the
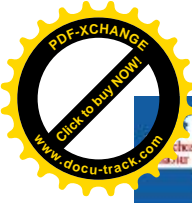
Project Management Institute
Westchester
Ⓡ **The hub of project management for Westchester and its neighbors**

business plan for the organization. Furthermore, PMOs are taking a more active role in operational aspects of technology service delivery. Also, with only 36% of respondents reporting they specifically serve IT and over 55% reporting they support Change Management, this indicates that some "business side" PMOs are actively involved in supporting technology management functions.

Category / Function	Percent
WORK AND RESOURCE MANAGEMENT	
Program/ Portfolio Management	85
PM Training & Development	71
Scope Management	56
Issue Management	55
Internal Consulting	54
Risk Management	53
Staffing/Organizational Capacity Mgmt	50
Centralized Demand Management	33
STRATEGIC MANAGEMENT	
Facilitate Strategic Planning	68
Administrate the Business Plan	40
Benefit Management/Realization	34
Investment Portfolio Analysis	32
Secretary for Oversight Board/Steering Comm	29
PROCESS MANAGEMENT	
Process Improvement	82
Process Metrics	65
Process Ownership	54
Business Process Design	46
Process Automation	45
Process Audits	42
SERVICE MANAGEMENT	
Change Management	55
IT Service Portfolio Management	49
Application Portfolio Management	49
Problem Management	36
Release Management	33
Enterprise Architecture/Standards	23
External Service Provider Mgmt	21
Asset Management (CMDB, etc.)	12
GENERAL BUSINESS MANAGEMENT	
Dashboards/High Level Reporting	78
Documents/Content/Knowledge Mgmt	47
Budgeting	40
Business Liaison	40
NPD/Product Lifecycle Mgmt	37
Staff Development	36
Financial Management	32
Business Performance Analytics	27
Contract Mgmt	26
Collaboration Platforms	23
Cost Recovery (Charge Backs, etc.)	17

- From a reporting perspective, 55% said they report to a C-level executive. 10% report to a VP. PMO staff sizes varied. There seemed to be some correlation between staff size and number of constituents (more on that later). Regardless of reporting structure, the scope of the PMO's responsibilities remained consistent.
- Respondents were asked to identify their organizations' level of process maturity. The range included:
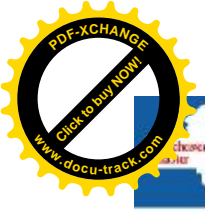
- o Level 1 – Most Business Processes are informal or undefined (22%)
- o Level 2 – Most Business Processes are defined, but not well adopted (37%)
- o Level 3 – Most Business Processes are defined, repeatable and followed (31%)
- o Level 4 – Most Business Processes are aligned and have performance measures (6%)
- o Level 5 – Most Business Processes are optimized and continually improved based on their performance (4%)
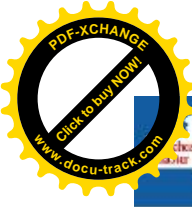
Several trends and indications were observed using these levels. For example: even though the PMO is less often responsible for "owning" processes, you can see an increase in process maturity levels as the majority of PMOs become actively involved with process improvement and measurement activities. Similarly, with regard to years in service, as the PMO (service) time increases, the average process maturity levels steadily increase compared with organizations without a PMO.

- What types of processes are being employed? Well-established PM methodologies, such as PMI and classic waterfall techniques remain prevalent. However, leading-edge techniques such as Agile/Scrum are on the rise. Similarly, the PM methodology Prince2 is also on the rise, perhaps due to the success of ITIL, also created by the British Office of Government Commerce (OCG). Stage-Gate techniques are also receiving a lot of consideration for product development.
- In terms of governance, the field remains fairly evenly split: CMMI, CobIT, ISO, Lean Six Sigma, TQM – Six Sigma still has a slight edge.

Operational Challenges

- There were 33 commonly reported challenges related to both the PMO and organizations in general. Respondents were asked to rate the impact of each of these challenges using the following scale:
  - o Critical Problem (= 1)
  - o Significant Challenge (= 2)
  - o Minor Issue (= 3)
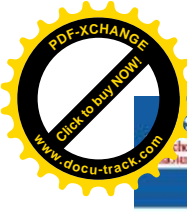 - o Not a Problem (= 4)
  - o Not applicable (N/A)

The resulting dashboard looked like this (see composite dashboard on next page):

Project Management Institute
Westchester
③ The hub of project management for Westchester and its neighbors

OPERATIONAL CHALLENGE DASHBOARD
(All Respondents)

ORGANIZATIONAL CHALLENGES	Avg Impact	% Major
Lack of PMO Sponsorship	2.79	43
Interdepartmental Politics	2.37	60
Management Resistance	2.73	40
Departmental Silos	2.24	66
Unclear Expectations	2.61	44
Changing Expectations	2.54	48
PMO Placement in Organization	2.84	34
Organizational Maturity	2.41	58
Organizational Alignment	2.68	43
Inadequate Resources	2.40	54
Lack of Accountability	2.65	45
Staff Turnover / Reassignment	3.18	20
Inadequate PMO Staff	2.76	39
Lack of Training or Skills	2.85	34

PROCESS CHALLENGES	Avg Impact	% Major
Undefined Strategy	2.70	44
Undefined Investment Process	2.72	44
Uncontrolled Demand	2.47	53
No / Poor Priorities	2.61	46
Lack of Formal Processes	2.82	35
Ineffective Processes	2.68	42
Process Compliance	2.59	45
Process Complexity	2.73	41
Incomplete Requirements	2.43	55
Financial Management	2.82	35
Knowledge Management	2.68	42
Communications	2.58	46

TECHNOLOGY CHALLENGES	Avg Impact	% Major
Metrics & Reporting	2.47	55
Ineffective / Obsolete Tools	2.59	46
Lack of Infrastructure	2.85	32

SITUATIONAL CHALLENGES	Avg Impact	% Major
Dyanmic Business Environment	2.47	58
Merger & Acquisition	3.20	22
External Influences	2.80	33
Emerging / Disruptive Issues	2.62	44

LEGEND

Avg Impact (Average Impact Rating)		% Major (% Reporting 'Critical Problem' or 'Significant Challenge')
<2.25	DANGER	>60%
2.25 - 2.50	CAUTION	60-50%
2.51 - 2.99	NEUTRAL	40 - 49%
≥3.00	GOOD	<40%

- When the analysis breaks this down into levels of process maturity, we see a strong correlation between the impact of these challenges and the process maturity level in an organization:

PMI — Project Management Institute Westchester

③ The hub of project management for Westchester and its neighbors

OPERATIONAL CHALLENGE DASHBOARD
(All Respondents - Segregated by Process Maturity Level)

	Level 1 Avg Impact	Level 1 % Major	Level 2 Avg Impact	Level 2 % Major	Level 3 Avg Impact	Level 3 % Major	Level 4&5 Avg Impact	Level 4&5 % Major
ORGANIZATIONAL								
Lack of PMO Sponsorship	2.40	59	2.68	50	3.01	30	3.33	24
Interdepartmental Politics	2.25	69	2.19	66	2.55	52	2.71	46
Management Resistance	2.59	49	2.55	47	2.94	31	3.09	26
Departmental Silos	2.02	76	2.10	70	2.38	63	2.76	41
Unclear Expectations	2.40	53	2.56	47	2.70	42	3.00	23
Changing Expectations	2.47	51	2.35	56	2.67	41	3.06	32
PMO Placement in Organization	2.53	45	2.81	33	3.00	32	3.18	15
Organizational Maturity	2.05	73	2.18	69	2.75	41	2.94	34
Organizational Alignment	2.43	54	2.56	49	2.86	36	3.11	29
Inadequate Resources	2.19	64	2.41	56	2.53	48	2.49	43
Lack of Accountability	2.38	59	2.56	47	2.85	39	3.03	29
Staff Turnover / Reassignment	3.19	21	3.20	20	3.16	19	3.34	16
Inadequate PMO Staff	2.65	46	2.63	43	2.94	31	3.12	24
Lack of Training or Skills	2.61	50	2.71	39	3.07	22	3.23	17
PROCESS								
Undefined Strategy	2.18	67	2.61	49	3.00	29	3.29	20
Undefined Investment Process	2.28	59	2.62	50	2.91	35	3.39	15
Uncontrolled Demand	2.10	71	2.38	58	2.68	44	2.97	21
No / Poor Priorities	2.24	63	2.49	53	2.79	35	3.21	18
Lack of Formal Processes	2.15	65	2.68	43	3.24	12	3.43	11
Ineffective Processes	2.20	68	2.55	51	2.96	23	3.29	17
Process Compliance	2.32	57	2.40	55	2.82	33	3.21	21
Process Complexity	2.58	47	2.59	48	2.89	32	3.12	26
Incomplete Requirements	2.09	76	2.35	60	2.64	42	2.82	32
Financial Management	2.51	46	2.78	38	2.95	30	3.32	16
Knowledge Management	2.41	58	2.65	41	2.81	35	3.03	30
Communications	2.26	64	2.48	49	2.76	37	3.06	20
TECHNOLOGY								
Metrics & Reporting	2.18	66	2.39	61	2.64	47	2.97	29
Ineffective / Obsolete Tools	2.28	61	2.60	43	2.71	43	3.00	29
Lack of Infrastructure	2.56	41	2.82	32	2.98	28	3.31	20
SITUATIONAL								
Dyanmic Business Environment	2.38	61	2.39	63	2.53	54	2.82	43
Merger & Acquisition	3.13	24	3.18	21	3.23	22	3.41	17
External Influences	2.68	35	2.72	37	2.97	28	2.88	29
Emerging/Disruptive Issues	2.39	54	2.58	44	2.75	39	2.97	29

LEGEND

Avg Impact (Average Impact Rating)

Value	Color
<2.25	DANGER (red)
2.25 - 2.50	CAUTION (yellow)
2.51 - 2.99	NEUTRAL (white)
≥3.00	GOOD (green)

% Major (% Reporting Critical Problem or Significant Challenge)

Value	Color
>60%	(red)
60-50%	(yellow)
40 - 49%	(white)
<40%	(green)

PROCESS MATURITY LEVELS

LEVEL 1: Processes are Informal or Undefined
LEVEL 2: Processes are Defined but not well Adopted
LEVEL 3: Processes are Defined, Repeatable and Followed
LEVEL 4: Processes are Aligned and have Performance Measures
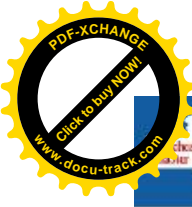LEVEL 5: Processes are Optimized and Continually Improved

PMO Effectiveness

- Respondents were asked to judge their PMO effectiveness against one of the following options:
    - **(5)Outstanding:** Considered core to the business; continually expanding capabilities and scope
    - **(4) Very Good:** Meeting all objectives with wide organizational support
    - **(3) Good:** Meeting most business objectives and actively sponsored
    - **(2) Fair:** Meeting some mission objectives but struggling with others; weak sponsorship
    - **(1) Poor:** Not meeting objectives; may be dissolved

58% ranked their PMO performance positively (Good or better). Further analysis was conducted to evaluate relationships with other variables, including: time in service, process maturity, scope of functions (type and number), staff size, etc. Here is a brief list of observations:

- The higher the process maturity level, the higher the rating for PMO effectiveness
- Those PMOs reporting into the CEO fared better in the effectiveness rating
- A dedicated staff of at least 4-6 is needed for the PMO to operate at an effective level. Yet, increasing the size of staff beyond that yields little more.

- The survey did not reveal a "smoking gun", when it comes to achieving PMO effectiveness. However, there are some indicators that, collectively, serve to influence general PMO effectiveness. There are certain traits and tendencies common to more effective PMOs including:
    - **Staffing**: Very few PMOs were effective with less than four staff
    - **General Scope**: Extending the span of the PMO and its scope of interest tracks with increased effectiveness
    - **Functional Scope**: The types of functions being done shift slightly between higher and lower performing groups. For example, groups that scored higher on effectiveness were less likely to have responsibility for more "routine" administrative functions such as:
        - administering the business plan
        - staff development
        - cost recovery/charge backs
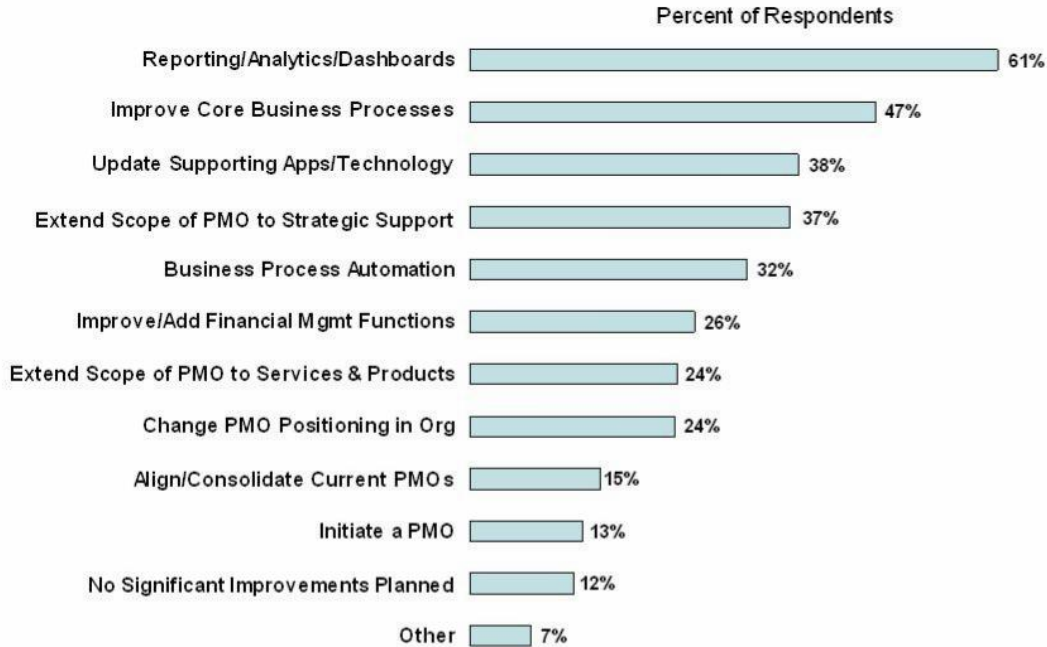
        and more likely to be doing higher level functions that required the PMO to take a more active management role, such as"
        - owning processes
        - strategic planning
        - investment analysis
        - financial management
        - process audits
        - benefit management
        - also, service management functions such as problem and change management
    - **Sponsorship**: Executive support for the PMO is a key ingredient to its effectiveness.
    - **Time in Service**: As the PMO matures, its general effectiveness increases accordingly; more effective PMOs have been in place for 3 or more years.
    - **Process Management**: PMOs that are more involved in owning, defining, improving and measuring the performance of processes are more effective. The PMO is highly reliant upon processes as the mechanism by which it delivers many of its services. The collection of data and status information; methods of interdepartmental coordination; analysis and reporting; and effective management response are all enabled through business processes. Thus the PMO has a vested interest in being actively engaged in process management to ensure results adequately support its own needs as well as those of its constituency.

Project Management Institute
Westchester
③ The hub of project management for Westchester and its neighbors

Planned 2009 PMO Initiatives

- *** Big Disclaimer *** - This survey was conducted just prior to calendar Q4 of 2008, the economic downturn. As a result, some (or many) of these initiatives may have been impacted.

Percent of Respondents

Initiative	Percent
Reporting/Analytics/Dashboards	61%
Improve Core Business Processes	47%
Update Supporting Apps/Technology	38%
Extend Scope of PMO to Strategic Support	37%
Business Process Automation	32%
Improve/Add Financial Mgmt Functions	26%
Extend Scope of PMO to Services & Products	24%
Change PMO Positioning in Org	24%
Align/Consolidate Current PMOs	15%
Initiate a PMO	13%
No Significant Improvements Planned	12%
Other	7%

Planned 2009 PMO Improvement Initiatives

Summary

- The greatest obstacles facing organizations are organizational, situational or process-related issues (refer to challenge dashboard). To effectively address these, an organization needs a solid foundation of effective processes (that are consistently followed). This is where a PMO can help.
- The PMO can provide a group dedicated to supporting and integrating operations across organizational boundaries. They do this by providing services such as:
  - Gather and distribute information
  - Monitor, analyze and report performance
  - Provide specialized business management expertise
  - Facilitate communications, coordination and collaboration
  - Identify, analyze and communicate significant issues and support their resolution
  - Actively coordinate and manage complex activities across the organization
  - Define, deploy, measure, and improve the enabling network of business processes

  The PMO is being mobilized to counter challenges in other parts of the organization, including product development, marketing, engineering services, etc. Executive decisions depend on an understanding of the current status of internal activities, risks, opportunities and challenges, extending PMO capabilities into higher level business management activities such as strategic planning, business plan management, benefit management (ROI, etc.) and investment portfolio analysis.
- Effective processes are the key to dealing with organizational challenges. As we have seen, achieving higher levels of process maturity will help temper the impact of these challenges. The PMO is uniquely situated as a natural point of focus to establish a sustained program for business process management.

Author's Closing Thoughts

The concept embodied in the term PMO 2.0 is that PMOs of leading edge, knowledge based, technology-centric sectors are evolving to become nothing less than a center for integrated business management. The potential for the PMO to positively contribute to the overall efficiency and effectiveness of an organization is *immense*, as illustrated by those polled who have graciously shared the details of their own success as an example. But, overall PMO performance indicates that simply having a PMO does not guarantee it will be an effective addition to the organization, as attested to by others who readily admit that they are falling short of expectations or goals.

While this survey and its analysis reveal general trends and broad recommendations, each organization faces unique circumstances that must be considered on a case-by-case basis. Cultural differences, individual business objectives and circumstances, maturity levels and a myriad other specific environmental considerations make every journey towards PMO success a truly distinctive endeavor, each with its own challenges and ultimately, rewards. The information within this report can be leveraged by those actively engaged in fostering the success of their own PMO, are supporting others with their services, or are seeking information and inspiration to start their own PMO.

Note: All of the information contained in this document comes from the original report (noted at the beginning of this document). I have summarized and re-created some of the information for the purpose of aiding our discussion at the PMI Westchester Chapter PMO SIG/LIG meeting. – Gus Sanchez.