PMO Capability: A New Look at How High-Performing PMOs Deliver Value

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Introduction

Project management is constantly evolving, and as the industry changes, our concepts about project management must also be re-examined. A decade ago, we theorized that what was then commonly termed the "project office" could—and would—become a valued player at the strategic corporate level (Crawford, 2001). That "Strategic Project Office" has since surpassed our wildest expectations. Our experience with finalists and winners of the PMO of the Year Award (Crawford et al., 2011) has shown us that PMOs—whether evolved from the grassroots or implemented from the top down—have become indispensable centers of insight and services in companies, nonprofit organizations, and government.

Center of Excellence, Strategic Project Office, Enterprise Program Management Office, Enterprise Project Services…today's PMO goes by many names and appears within our organizations in many roles. Attempts to gauge the effectiveness of this relatively new organizational entity run up against these differing conceptions of the PMO, which exhibit varying spans of control, missions, functions, and process maturity.

Recently, there are been several attempts to apply process maturity modeling and language to measure the effectiveness of PMOs. Most detailed of these has been the PMO Maturity Cube (Pinto et al., 2010). A full description of the Cube is available at the website cited in our references. Its developers began from the assumption that "the better the PMO delivers its services, and only the ones related to the needed functions, the more the PMO is perceived delivering value to its organization." (Pinto, op. cit., p.16). The Cube model goes on to posit 21 possible types of PMO and to deliver a complex scoring system to ascertain what a PMO's scope, approach, and maturity of service delivery might be.

Working with PMO leaders, corporate leadership, and consultants in the field made us concerned that a model of such complexity might not be accessible for the average organization that needs to quickly compare themselves to others in the industry, receive feedback on whether its PMO was performing the types of functions that are common to high-performing PMOs, and make plans for organizational improvement.

In addition, we became concerned that perhaps the concept of "maturity"—while certainly extremely valuable in gauging how well an organization performs the various processes related to project and program management—might be misapplied to an organizational structure. Organizational structures can certainly grow up through levels of capability maturity. But they are just as likely to be created by executive fiat, with the power to create transformational enterprise-wide change (PM Solutions, Focus Group Proceedings, 2011).

In fact, we reasoned, restating the core assumption, "a PMO delivers optimum business value to the sponsoring organization when its role—whether strategic, tactical, or operational—is guided by corporate strategy, and when its functions are selected and refined based on data about how well these contribute to strategy execution/goal achievement." Such value isn't—or, in our view, should not be—"perceived," but measured and objective.

Was this reasoning realistic? In an effort to provide a structure for identifying and naming PMOs that is based on the business value they offer to their sponsoring organizations, PM Solutions Research then sought the input of focus groups drawn from PMO of the Year Award finalists, as well as leaders of PMOs identified as "high-performers" in the *State of the PMO 2012,* to develop a prototype model for PMO classification.

The PMO Universe

The first task was to develop a system of classifying PMOs, beginning with the descriptions offered in my book *The Strategic PMO*—descriptions that had already been modified from what we termed "Levels of PMO" in the 2001 edition to "Types of PMO" in the 2011 edition (See Exhibit 1.)
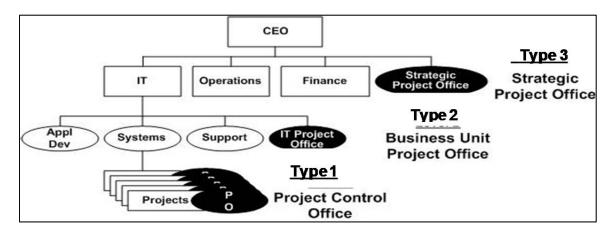

Exhibit 1. Three Types of PMO. This graphic shows a concept of PMO classification based on span of control (or scope of influence, as the PMO Cube terms it). Source: Crawford, J.K. (2011) *The Strategic Project Office, Second Edition*. Boca Raton, FL: Auerbach/CRC Press, p.30.

This system of three types works as a high-level kind of sorting mechanism to differentiate PMOs based on their span of control in the organization. Here are the descriptions of their roles:

Type 1: The Project Control Office. This is an entity that typically handles large, complex single projects (such as a Euro conversion project, or the creation of a new type of airplane). It's specifically focused on one project, but that one project is so large and so complex that it requires multiple schedules, which may need to integrate into an overall program schedule. It may have multiple project managers who are each independently responsible for an individual project schedule. As those individual schedules, and their associated resource requirements and associated costs, are all integrated into an overall program schedule, one program manager or a master project manager is responsible for integrating all of the schedules, resource requirements, and costs to ensure that the program as a whole meets its deadlines, milestones, and deliverables.

Type 2: Business Unit PMO. At the divisional or business unit level, a PMO may still be required to provide support for individual projects, but its challenge is to integrate a large number of multiple projects of varying sizes, from small short-term initiatives that require few resources to multi-month or multi-year initiatives requiring dozens of resources, large dollar amounts, and complex integration of technologies. The value of the Type 2 PMO is that it begins to integrate resources at an organizational level, and it's at the organizational level that resource control begins to play a much higher-value role in the payback of a project management system. At the individual project level, applying the discipline of project management creates significant value to the project because it begins to build repeatability—the project schedule and the project plan become communication tools among the team members as well as within and among the organizational leadership. At Type 2 and higher, the PMO serves that function but also begins to provide a much higher level of efficiency in managing resources across projects. Where there are multiple projects vying for a systems designer, for example, the Type 2 PMO has project management systems established to deconflict that competing need for a common resource and identify the relative priorities of projects. Thus, the higher priority projects receive the resources they need and lower priority projects are either delayed or canceled. A Type 2 PMO allows an organization to determine when resource shortages exist and to have enough information at their fingertips to make decisions on whether to hire or contract additional resources. Since the Type 2 PMO exists within a single department, conflicts that can't be resolved by the PMO can easily be escalated to a department manager or organizational vice-president, who has ultimate responsibility for performance within his or her organization.

Type 3: Strategic PMO. Consider an organization with multiple business units, multiple support departments at both the business unit and corporate level, and ongoing projects within each unit. A Type 2 project office would have no authority to prioritize projects from the corporate perspective, yet corporate management must select projects that will best support strategic corporate objectives. These objectives could include strategic initiatives, revenue generation opportunities, cost reduction programs, productivity enhancements, and/or profitability contribution, to name just a few. Only a corporate-level organization can provide the coordination and broad perspective needed to select, prioritize, and monitor projects and programs that contribute to attainment of corporate strategy—and this organization is the Strategic PMO. At the corporate level, the Strategic or Enterprise PMO serves to deconflict the need for competing resources by continuously prioritizing the list of projects across the entire organization. Obviously, this cannot be done by the SPMO in isolation; thus the need for a steering committee made up of the SPMO director, corporate management, and representatives from each business unit and functional department (Crawford, 2011, p. 31-33).

Discussion with our focus group members led us to further refine these types and rename them, as shown in Figure 2. Since several of the focus group members described the existence of informal or nascent (under development) PMOs in their organization, we originally added the Type 0 category—given that the goal of the model is to accurately describe the workday reality of PMOs. However, as the concept continued to evolve to focus on the *capability* of the PMO, Type 0 was dropped, recognizing that informal PMOs usually exist to initiate the development of capability but probably do not themselves display it.
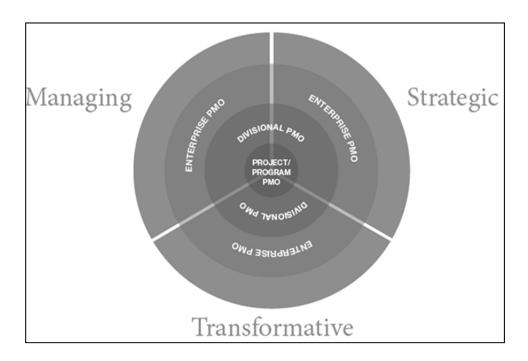

Exhibit 2. The PMO Universe. This graphic shows a prototype of PMO classification based on span of control plus organizational role/mission.

PMO Area of Focus: The Mission or Role Defined by the Organization

A primary source for information about the day-to-day world of PMOs has been our series of biennial research studies, *The State of the PMO*. Inaugurated in 2007 and repeated in 2010 and 2012, these survey-based studies are beginning to show trends in the development of the PMO as an organizational structure. For example, in 2008, a minority of PMOs functioned as enterprise-wide entities; this percentage had increased dramatically by 2012 to 41% (PM Solutions Research, 2008 and 2012). In seeking to accurately depict PMOs' role in organizations, we sifted

through the data compiled over 2007-2012 looking for key changes in the roles played by PMO. As the developers of the PMO Cube also discovered, the picture is complex. Some findings:

- PMOs are becoming more mature; the number moving from Level 1 to Level 3 in self-reported PM process maturity increased between 2007 and 2010. And the more mature PMOs did represent organizations that scored higher on eight measures of organizational performance (see Exhibit 3).
- While PMO age does correlate with maturity and capability, even new PMOs (less than one year since inception) frequently show up in the "high-performing organization" category.
- Even PMOs with a single-program focus frequently describe their role as "strategic," while IT (divisional) PMO frequently report managing enterprise-wide programs. (PM Solutions Research, 2008, 2010, 2012)
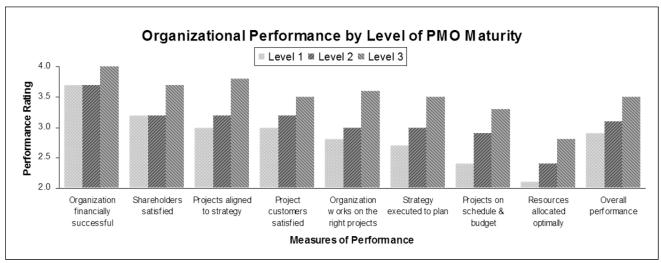

Exhibit 3. Organizational Performance by level of PMO Maturity. Maturity was self-reported on a scale from Level 1-5 (immature, established, grown up, mature, best in class). Only maturity levels 1-3 are shown, since too few PMOs reported at levels 4 and 5. "High performance," also self-reported, is defined as higher on a scale of 1 to 5 on how well the overall organization performs in the eight measures of performance listed in the chart above. *Source: The State the PMO 2010.*

Clearly, the idea of a progressive improvement in maturity tracking with increasing levels of responsibility or organizational scope was not in tune with PMO realities. In discussing this with PMO leaders in our focus group and during qualitative research interviews with respondents to the *State of the PMO 2012* study, we heard over and over again that the very idea of "levels" of PMO was flawed. Here are a few of their comments:

- "'Level' says that you start at the bottom and work your way up incrementally, starting with basic project management and adding more and more strategic roles. That isn't necessarily the case. In our company, the PMO came in as a strategic entity tasked with transforming the organization. It wasn't until several years passed that we actually hands-on managed projects."
- "Stay away from the word 'level'—it has a judgmental overtone. In fact, a 'Level 1' PMO that focuses only on managing projects may be the exact PMO that is perfect for delivering the business results the company requires. There is no 'up' from there."
- "'Level' implies progression or hierarchy and that's not what that is." (PM Solutions Research, Focus Group Proceedings, 2012).

Taking our lead from this input, we conceptualized the "PMO universe" shown in Figure 2, one in which a PMO might

- Operate as a single megaproject and yet be **transformative** in nature for the organization as a whole; or
- Operate at the divisional level, yet be involved in **strategic** initiatives; or

- Operate at the enterprise level providing project managers and project management expertise across functional boundaries, and be purely focused on **managing**, without participating in strategy formulation or other strategic or transformative roles.

These roles are described in more detail in Exhibit 4 below:

	Managing	Strategic	Transformative
Enterprise	PMO's primary focus is to manage multiple projects and/or programs across the enterprise. The PMO may manage all projects/programs or only strategic projects/programs.	PMO's primary focus is on the strategic impact of the enterprise portfolio of projects/programs enterprise. The PMO may focus on all projects/ programs or only strategic projects/programs.	PMO's primary focus is on enabling projects/ programs to transform the way an enterprise does business. The PMO may focus on all projects/ programs or only strategic projects/programs.
Divisional	PMO's primary focus is to manage multiple projects/programs within a division (business unit or department) of an enterprise. PMO may manage all divisional projects/programs or only strategic divisional projects/programs.	PMO's primary focus is on the strategic impact of a portfolio of projects/programs within a division (business unit or department) of an enterprise. The PMO may focus on all divisional projects/programs or only strategic divisional projects/programs.	PMO's primary focus is on enabling projects/ programs to transform the way a division (business unit or department) of an enterprise does business. The PMO may focus on all divisional projects/programs or only strategic divisional projects/programs.
Project/Program	PMO's primary focus is to manage a single project or program.	PMO's primary focus is on the strategic impact of a single project or program.	PMO's primary focus is on the ability of a single project or program to transform the way the organization does business.

Exhibit 4. Three Areas of Focus for PMOs

The chart is circular because, in the real world, there isn't a clear, step-by-step progression in the changing PMO role and impact. An organizational structure can be implemented, for example, by experts called in to create it and jump-start it, without growing that structure from the internal grassroots. Today's organizations often grow by leaps through merger or acquisition, or discontinuously, as when a new CIO makes radical changes to divisional structure and processes.

We called these "classes" of PMOs to make it clear that one is not better than the other, except in terms of individual organizational needs. We envisioned individual companies being able to scope a PMO that crossed all the boundaries shown, by incorporating to a greater or lesser degree the functions that might be typical of a particular class. As we discussed what made a great PMO, we heard again and again from our focus group and interviewees that the only lens through which a PMO's effectiveness should be viewed was the organization-specific lens of capability: That is, does the PMO perform those functions that add business value to their sponsoring organization?

PMO Capabilities

Again referring to the *State of the PMO* research, we found that high-performing organizations had PMOs that offered a wider range of functions and services (see Exhibit 5).
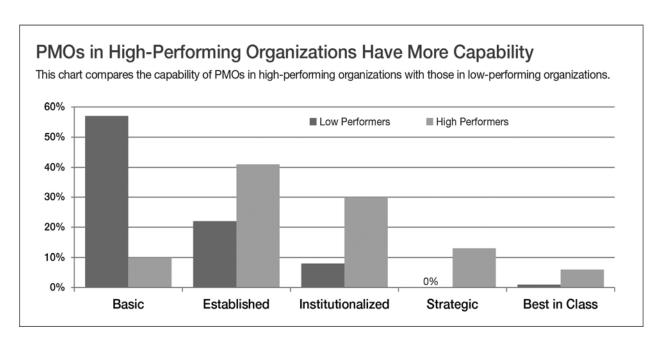
PMOs in High-Performing Organizations Have More Capability

This chart compares the capability of PMOs in high-performing organizations with those in low-performing organizations.

Exhibit 5. PMOs in high-performing organizations. PMOs in organizations that scored as "high-performing" based on eight measures of organizational performance offered more functions and services than those in low-performing organizations. *Source: The State of the PMO 2012*.

However, referring to notes from interviews and focus groups, we were struck by comments such as the following:

- **"**If you stretch too thin and do things poorly, then it's not true [that offering more functions adds value]. Instead the model should show that as you increase what you can do for your organization—via more functionality—more benefits accrue to your organization."
- **"** It's not that we are trying to roll out PPM or not roll out PPM—as a services organization, it's driven by the client and funded by the client, so PPM isn't that important to us in the classical sense. Our mission is to further integrate with the business, understand the strategic goals of the business, and develop tools and processes that serve those goals."
- **"**We don't see the world as 'things we need to do as a PMO' but as 'things we can do as an organization to help the company sell more products and services.'" (PM Solutions Research, Focus Group Proceedings, 2012 and Qualitative Interviews, 2012).

Obviously, these PMO leaders were speaking with the voice of experience, reminding us that functional capability alone is not what matters: The PMO should offer and refine only those functions or services that directly impact the business outcomes for their organization.

How do PMOs identify which functions and services these are? And what can they do to optimize the performance of these functions? We defined the ability to identify the correct functions, and to optimize them in concert with meeting business goals, as "capability": the ability to deliver those functions and services that are required to execute strategies, and to deliver them in ways that contribute to measureable performance improvements. To that end, we identified (and are working on a method to assess the performance of) eight key PMO Functional Capabilities:

- Project Management
- Program Management
- Portfolio Management
- Performance Management
- Demand Management/Resource Management

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- Vendor Management
- Change Management
- Integration Management

In addition, with the assistance of our focus groups, we identified four "Capability Enablers" that can support (or hinder) PMO capability in any of the above areas, for any type of PMO, no matter what its organizational mission:

- Governance/Structure
- People/Culture
- Process
- Technology

The assessment method for the degree of effectiveness of each of these continues to be under development and validation.

To recap: The PMO Capability Model operates as a classification system to help standardize the nomenclature of PMOs. It is a tool that could be used by organizations to identify the value delivered by the PMO, compare their existing functions and services to other, similar PMOs, and develop plans for future expansion. At present, there is a wide range of organizational entities referred to as "PMOs." This model will help to clarify the terminology and assist organizations in understanding where their present or planned practices fit into the "universe" of PMOs operating in the marketplace. We felt—and our interviews confirmed—that this would be of practical assistance to PMO leaders. One interviewee remarked, "Most of us here…have some challenges communicating what we are trying to do. In trying to describe our PMO, we've struggled for the right language—are we hybrid? Guerilla? We need to be able to make a business case for moving the PMO out of IS." (PM Solutions Research, 2012). This focus on the business case has provided the lens through which we view PMOs and their many roles. The resulting model is descriptive, not prescriptive; that is, its emphasis is on defining your PMO as it stands now, and where you want it to be based on your specific business goals. It provides a "menu" of possibilities to aspire to that may be pulled from various types of PMOs.

The PMO Capability Model focuses on capability instead of maturity because, while a process improves incrementally and can be measured against a continuum, the capabilities of an organizational entity may improve via breakthroughs (hiring consultants, acquisitions, new technology). Thus the PMO model is not in levels, but by classes—with PMOs able to straddle two or more classes, depending on the business needs they serve and the services they offer.

How can this be important? An organization may attain process maturity and still not be delivering the value-adding services that the executive needs or desires. By focusing on "capability" we seek to keep the discussion rooted in practical business functions and outcomes. Think of it in terms of an "elevator speech": The PMO director may say to the CEO "We achieved Level 5 in PMMM!" and still get the response, "But what are you capable of doing for us today?" A Transformative EPMO leader, on the other hand, might be able to say, "We offer the following sources of business value, which we developed in response to strategic requirements …"

Performance Measurement: The Missing Link

In reviewing the in-depth background research provided by Pinto et al., one statistic stuck us as particularly meaningful. In a 2007 study, it was determined that the function of 50% of the PMOs studied was to "monitor and control their performance" (Pinto et al., op cit., p. 1). Only 50%? It may seem striking that only half of PMOs put systems in place to monitor their own performance, yet this result has been borne out by the State of the PMO studies. As recently as February 2012, this number is still only 50%, although 54% report they plan to focus on improving or implementing performance measurement this year (PM Solutions Research, 2012). In terms of identifying areas for improvement in capability, or identifying where capability could be better enabled, a lack of PMO performance measurement is a serious gap. The "instability" in PMO tenure noted by Pinto et al. may very

well be related to the failure of PMOs to tell executive management an "elevator story" that aligns with their most pressing concerns.

Conclusion

PMO leaders from all across the spectrum, from those designing a PMO to leaders of very capable PMOs looking to gauge their progress or evaluate their range of services may find a simple classification model of this type useful. As we further flesh out the enablers and determine which array of functions are found in each type of PMO, we hope to broaden the thinking of PMO leaders and their sponsors as to what is possible. Congress attendees are invited to use the concepts presented here to classify their PMOs during the session, or by later e-mail contact. This is an opportunity for the attendee audience to function as a large "focus group" and provide insight and input into a new concept still being validated.

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