The Value of a PMO

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What is the background to this presentation?

Background

- Organisations spend billions each year on project delivery

- All project organisations face two significant challenges as they attempt to improve their ability to deliver complex projects on time and to budget:
  
1. Securing Leadership support and commitment for the PMO

2. The belief that a PMO will, by its mere existence, lead to project success

Sources

- Center for Business Practices (CBP)
- Gartner
- Published Works
- Accenture
What is a PMO (old view)?

A Project Management Office (PMO) *used* to be considered a primarily administrative function.

It was responsible for:

- Standardising the processes involved in the execution of projects;
- Document management and status reporting; and
- Project administration.
What is a PMO (modern view)?

The modern PMO provides standardisation, as the foundation, but has evolved to offer more value to its sponsoring organisation.

It is responsible for:

- benefits tracking;
- expert work planning, estimating & scheduling;
- co-ordinated resource management;
- structured progress tracking/forecasting;
- robust scope management/change control;
- a focus on budget efficiency;
- stakeholder/communication oversight;
- industrialised quality management;
- value-adding risk/issue management;
- comprehensive knowledge/records management; and
- fully-integrated project processes.

This modern PMO enables timely delivery, successfully achieved scope/quality requirements and targeted budgeting which ultimately results in the minimisation of delivery risk.
PMO Maturity levels indicate the **effectiveness of project execution support**. Throughout this presentation references are made to, and comparisons made between, PMOs operating at varying maturity levels. For clarity please find references for each level below:

**Level 0: Absent** - No identifiable PMO operating. No influence on project success.

**Level 1: Immature/Initial** – A named entity (identified as a PMO) is operating but, in general, processes are inconsistent, project data isn’t collected/used and reporting is broadly qualitative. Has little influence on project success.

**Level 2: Established/Repeatable** – A recognised PMO is operating but is in need of improvement. Some processes have consistency, some project data is collected but only basic analytics are done and reporting has introduced some metrics. Plays a role in some project successes (and failures).

**Level 3: Grown-up/Defined Standard Processes** – A solid PMO which experiences more successes than failures. Most processes have consistency, most key project data is collected but only basic analytics are done and reporting has introduced some metrics. Plays a role in some project successes (and failures).

**Level 4: Mature/Managed** – A very successful PMO which has good sponsorship. All core processes are consistent, all key project data is collected, solid analytics are undertaken and reporting is primarily data-driven. Plays an important role in the success of the project environment.

**Level 5: Best in Class/Optimised** – A world-class PMO which has complete sponsorship. All core processes are consistent and continuously improved, all key project data is collected, analytics are comprehensive and reporting is completely data-driven. Plays a critical role in the success of the project environment.
In 2000* only 47% of surveyed organisations had implemented a PMO of any type. By 2006** 77% of the respondents had implemented PMOs. It has been shown that deploying a PMO *does not* lead to performance improvement in itself. It is only when the PMO *increases maturity* that tangible improvement occurs*.

*Source: Value of Project Management Center for Business Practices (CBP) Study

**Source: Project Management The State of the Industry Center for Business Practices (CBP) Study
There is a common assumption that the deployment of a PMO is the panacea to project ills. This is demonstrably not the case. The statistics* show that the key driver in organisational performance improvements comes from the maturity level of the PMO not just the deployment of a named PMO function.

Level 4 (Mature) PMOs deliver a 34.5% performance improvement over their Level 1 (Immature) PMO competitors.

According to Gartner, world-class organisations enjoy an IT project success rate close to 90 percent. What is it that allows these organisations to deliver business value at nearly triple the standard industry success rate? The answer: Almost all of them have established successful PMOs.

Nearly 70% of organisations implementing PMOs report that project success rates have improved significantly as a result.

* Source: Gartner Survey
In low-performing organisations, executive sponsorship is approximately 60% less likely to have an appreciation of the strategic value of a PMO.

In low-performing organisations, project management performance (and PMO performance) is not measured nor is appropriate accountability for outputs assigned.

In low-performing organisations, PMOs face much greater difficulty in being accepted as a real value-adding proposition, at all levels of their organisation, when compared to high-performers.

What are the key challenges facing PMOs?

A project staffed with uniformly very low-rated personnel on all capability and experience factors would require **11 times as much effort to complete the project** as would a project team with the highest rating in all the above factors.

In low-performing organisations PMO staff are **much less likely** to have formal project management qualifications, hands-on-experience and extensive project management knowledge.

What characterises high-performing PMOs?

A recent global survey revealed the level of entrenchment of core PMO capabilities between high and low performing project organisations.

Interesting statistics include the fact that high performers utilise resource management and risk management nearly 23% more frequently than in low performers, integrated planning nearly 20% more often, quality 17%, performance monitoring & control 16% and time management 12%.

High performing project organisations deploy approx 20% more key PMO capabilities than comparable low-performing organisations.

A recent global survey demonstrates the performance differentiation (against schedule, budget and quality) between high and low maturity PMOs. This includes a 24% improvement in customer satisfaction between Level 1 and Level 3 PMOs (Level 4 and 5 are not included due to lack of statistical data at these points, however extrapolation clearly trends positively) and a 65% improvement in the optimal allocation of resources.

**Level 3 (Grown up) PMOs** support project delivery on schedule & to budget 64% more often than their Level 1 (Immature) PMO competitors.

### Organisational Performance Improvement between Levels of PMO Maturity

How do you justify the value of a PMO?

Statistics show that there is still a real issue with project overrun (in terms of both cost and schedule). The study showed an average overrun of 24% on original baselined schedule and budget across all completed projects.*

Notes: (1) Model reduces overrun according to defined schedule/cost delivery improvement from research study outlined in previous slide and (2) cost basis for average Level 1 / Level 3 PMO of approx 2% / 4% of budget respectively** is used.

By deploying a mature PMO the average project will save in the region of 12-19% of the total original budget of the project.

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*Source: A Study in Project Failure – 2008 British Computer Society (BCS) Dr John McManus and Dr Trevor Wood-Harper

**Source: PCS PMO Sizing Estimator Programme Control Services (PCS)
How mature are organisational PMOs?

Less than 1 in 10 PMOs are considered ‘high-performers’ (Level 4 or 5)
Less than 1 in 100 is considered ‘Best in Class’ (Level 5)

Evidence suggests the cost to implement a Level 3 to 5 PMO is heavily outweighed by the delivery benefits realised within an organisation.

60% of all organisations could substantially benefit from improving the maturity of their PMO.

According to research*, "building a Project Management Office (PMO) is a timely competitive tactic". It is believed that "organisations, who establish standards for project management, including a PMO with suitable governance, will experience half the major project cost overruns, delays, and cancellations of those that fail to do so".

*Source: Gartner Industry Research
In summary

PMOs are evolving

PMOs need nurturing

PMO maturity drives real value

Very few PMOs are actually ‘mature’
What are the proposed next steps?

We've just argued why mature PMOs are valuable

Use this information to garner real support from within your organisation

Source proven project management maturity models (e.g. OPM3) and assess your project / programme / portfolio capability

Create a roadmap to mature your project organisation