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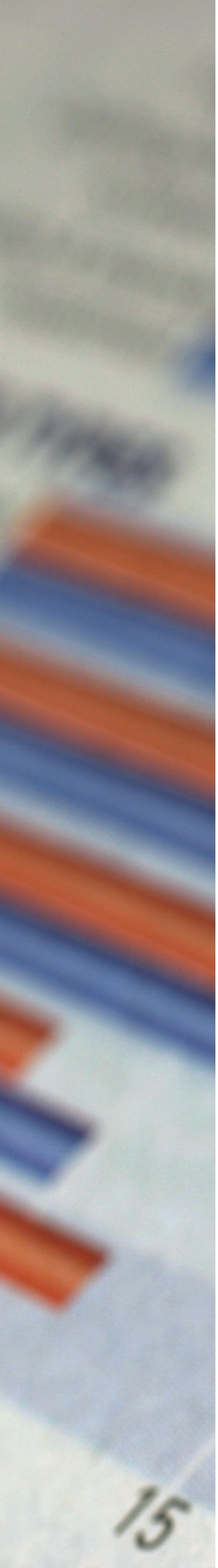

The State of the PMO 2012

» A PM SOLUTIONS RESEARCH REPORT

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About the Survey

The State of the PMO 2012 was designed to help us understand the nature of current PMO practices and discover trends that may point to solutions to today's challenges. The PMO has become the central organizational structure for standardizing the practices of companies in the delivery of their projects.

PM Solutions Research surveyed a broad spectrum of companies to get a clearer understanding of the variety of factors that affect PMOs, including the following:

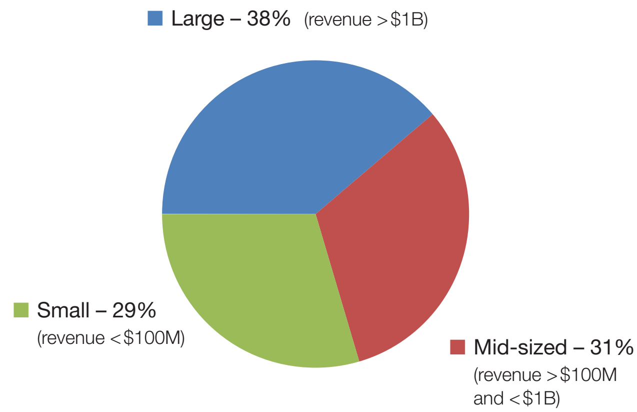
- Do companies have PMOs? For how long? What's their service span?
- What functions are performed by PMOs?
- How large are PMO staffs? How experienced?
- Do PMOs provide training? If so, what types of training? And how much?
- What challenges face PMOs?
- What value does a PMO add?
- What are organizations' priorities for the upcoming year?

Number of Respondents = 554

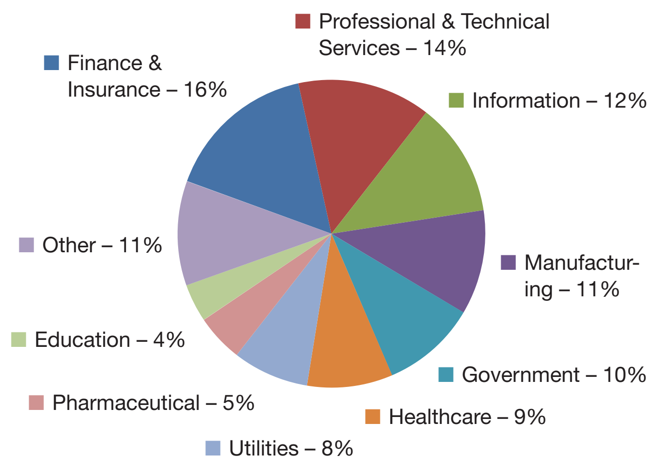
Respondents' Corporate Headquarters Location

- North America 70%
- European Union 12%
- Asia 4%
- Middle East 3%
- South America 3%
- The Caribbean 2%
- Africa 2%
- Oceania 2%
- Central America 1%
- Eastern Europe 1%

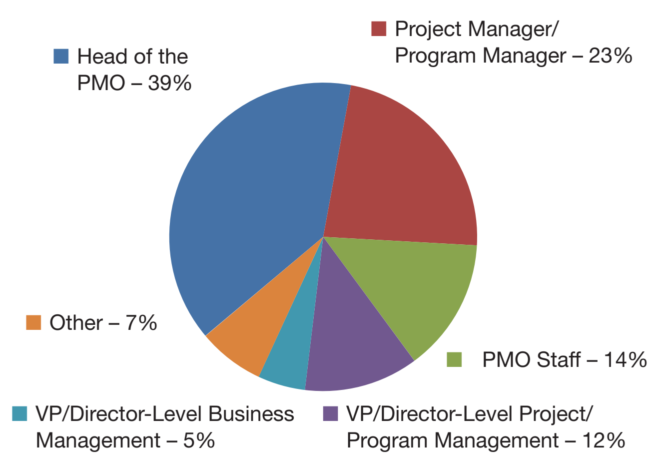
Size of Organization



Industries Represented



Roles of the Respondents



The State of the PMO

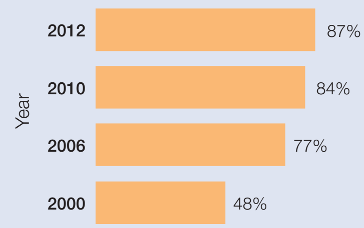
For over a decade, PM Solutions has been actively gathering data on project management trends. In that time, we've seen a steady climb in the influence of project managers and project management. Nowhere is this increased influence more notable than in the prevalence of, and roles within, the PMO.

The upward trend is unmistakable, both in the sheer numbers of PMOs and in their rising organizational clout. In our 2000 research on The Value of Project Management, only 47% of companies had a PMO. In 2012, that percentage has nearly doubled, to 87%. Moreover, our research clearly demonstrates that the PMO is fast becoming an organizational fixture that provides significant value to the business. This year, we added questions to this survey about overall organizational performance (see chart on page 7 for definitions of high and low performance). When cross-tabulated with PMO capability, it becomes clear that PMOs at the top of their game are not only impacting project management performance, but are boosting organizational performance as a whole. PMOs in high-performing organizations:

- Score significantly higher on addressing the issues that matter most to executives, including alignment with business objectives and strategy execution.
- Are nearly twice as likely to engage in performance measurement functions.
- Are more than twice as likely to practice resource forecasting and capacity management. They also manage more project managers, and engage in more training activities.

Studying the functions and practices of these high performers provides a roadmap to improved PMO and organizational success.

Percentage of Firms with PMOs



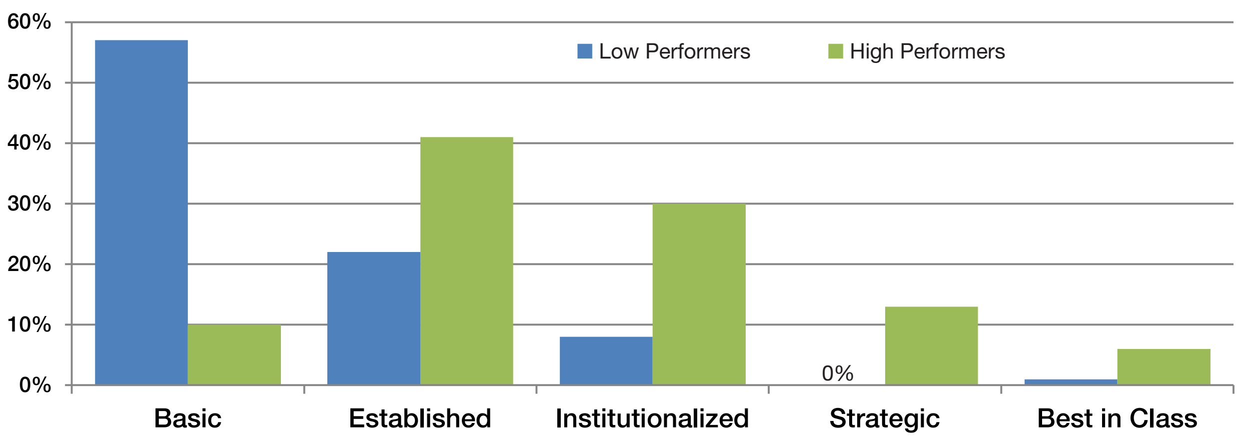
Growth in the number of PMOs reflects their rising importance to companies

PMO Capability Defined

- **Best in Class:** continuous improvement processes-practices used enterprisewide
- **Strategic:** standard portfolio management processes-practices used enterprisewide
- **Institutionalized:** standard PM processes-practices used across the enterprise
- **Established:** standard PM processes-practices used consistently
- **Basic:** basic PM processes-practices used inconsistently

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.



Summary Findings

- The greater the capability of the PMO, the greater the value the PMO contributes to the firm.
- Formally defining the role of the PMO is their greatest challenge.
- Biggest growth by far is in small firms — 73% now have PMOs compared to 48% in 2010.
- Most companies have a PMO (87%). Of the few that don't, 40% are looking to implement one within a year.
- The value of PMOs is generally no longer seriously questioned (the smaller the organization, the more likely it's questioned).
- PMOs are focused on performing program/project management functions.
- PMO staff are highly experienced (avg. 10 yrs); 40% have PMPs.
- More than half of PMOs use contracted resources to manage projects.
- More than half of PMOs have training programs in place.

Growth Despite Adversity

In looking at changes in the PMO landscape since the 2010 survey, we see evidence of PMO leaders' response to prolonged economic stagnation. Across the board, PMOs have scaled back on their functions, except in those areas that will allow them to measure and demonstrate business value. Thus, more PMOs are performing project audits, performing activity-based costing, and focusing on project monitoring and controlling.

While PMOs on average report cutting back on some types of training activities, 71% continue to engage in project manager coaching and mentoring. Training in project management basics is still the focus of 84% of companies.

PMO size has not, on average, increased, perhaps due to hiring constraints; however, PMOs report an increased reliance on contracted resources, both for managing projects and programs and for managing PMO operational functions.

Finally, as we noted earlier, more companies now have PMOs than ever before. Smaller companies lead the pack in implementing PMOs, and in these organizations, the PMO leader is nearly 10 times more likely to report directly to the CEO than in a large company.

The PMO: Capability Makes the Difference

The findings of this research describe an organizational entity that continues to expand its influence and move up the organizational ladder. At the same time, as noted above, companies of all sizes are now implementing PMOs, broadening the trend across the marketplace. Of the companies in the study, 69% are large firms with over US$100 million in revenues; 17% of the individuals responding to the survey are at the Vice President level or above in their organizations. Well over half of PMOs now report to the highest levels of executive management, with 66% reporting to an Executive Vice President or above.

As PMOs garner more attention at the executive level, their role in strategic functions increases, but so does the pressure to demonstrate added business value. Since 2010, we have seen the percentage of PMOs that participate in strategic tasks decline

PMO Value Benchmarks

PMOs contribute directly to the following performance improvements:

- Decrease in failed projects 30%
- Projects delivered under budget 25%
- Improvement in productivity 22%
- Increase in customer satisfaction 31%
- Projects delivered ahead of schedule.................... 19%
- Improvement in projects aligned with objectives .. 39%
- Cost savings per project (% of total project cost) .. 15%
- Cost savings per project.......................... US$411,000

slightly: for example, overall the percentage participating in strategic planning has slipped from 62% to 48%. At the same time, PMO leaders list “defining the role of the PMO” and “demonstrating the value of the PMO” as two of their top challenges. We interpret this to mean that, with finances tight and the business outlook gloomy, companies have demanded more of their PMOs and PMOs have responded by an increased focus on performance. Now is the time for the PMO to prove its value; and PMO leaders are stepping up to the plate: respondents report saving their organizations an average of US$411,000 per project.

PMOs in high-performing organizations continue, however, to be trusted with high-value responsibilities: 62% participate in strategic planning. Their budgets are more than twice that of PMOs in low performers (US$900K vs. US$400K). They are active in performance measurement: 68% of them engage in PMO performance monitoring/controlling, compared to only 36% of PMOs in low performers. Part of their story is simply maturity; the median age of PMOs in high-performing organizations is four years (compared with two years for PMOs in low performers).

As PMOs increase their capability, more of them engage in portfolio management have project management training programs in place. By successfully managing these high-value tasks, they are entrusted with increased responsibility.

Training for the Future

Despite the economy, PMOs have remained steady in their focus on training; as in 2010, 58% of PMOs provide PM training delivery, with the vast majority focusing on training in PM basics. It’s interesting to note, however, that among high performers, 55% also offer advanced PM skill development, compared to only 31% of the low performers. They also are more likely to provide soft-skills training, leadership development, and business skills training. Is this focus on a broader, deeper education in project management part of the reason these organizations deliver more value?

PMOs and Training

PMOs are responsible for the following training activities:

- Have a project management training program in place 55%
- Evaluate the project management competency of project managers 64%
- Offer the following types of project management training

Project management basics	84%
Project management software tool training	57%
Soft-skills training (e.g., teambuilding)	56%
Advanced project manager skill development	42%
PMP preparation	37%
Business skills training	36%
Leadership training	36%
Project management certificate or degree program	24%

Top 5 Priorities for the Next 12 Months

1
Improve resource planning and forecasting process

2
Implement/enhance core project/program management processes

3
Implement/enhance reporting, analytics, dashboard tools

4
Implement/enhance governance processes

5
Implement/enhance performance measurement process

Over the years, we have seen that more and more PMOs are becoming responsible for training and development functions, and this trend has not significantly slowed: 71% are responsible for PM coaching and mentoring, 54% manage project managers, and 55% are responsible for PM training curriculum development and coordination. PMOs in high-performing organizations are responsible for these functions to a significantly higher degree.

The number of PMO staffers who are PMPs has declined somewhat, from 50% in 2010 to 40% this year. This may be the reason that nearly a third of companies are now focusing on offering certificate and degree programs. PMOs in high-performing organizations have a higher percentage of PMPs (43%), more experienced staff, and are more likely to evaluate project manager competency. This, along with their focus on higher-order skills will give their companies a head start when an improving economy calls for new major initiatives.

As PMOs increase their capability, more of them engage in portfolio management and have project management training programs in place. By successfully managing high-value tasks, they are entrusted with increased responsibility.

Over the next 12 months, a major priority for PMOs is to enhance core PM processes — with 57% planning to do this. Since they have already been training heavily in basic skills, and none of them report lacking technical skills, it may be that companies have been hard hit by job losses over the past two years and are now having to replace skills that were lost with layoffs. This would also explain the increased reliance on contracted resources.

In fact, PMOs plan to spend the coming year focusing on improving all their existing processes, with a particular focus on improving resource planning and forecasting (59%), and implementing or improving performance measurement reporting, analytics, and dashboard tools (54%). This is encouraging news, because resource management and performance management are two areas where PMOs have historically been deficient. It's important to note that, PMOs in high-performing organizations are 30% more likely to perform resource forecasting than low performers. This gives them an edge when resources are scarce, and provides a best-practice guideline for ambitious PMOs to follow.

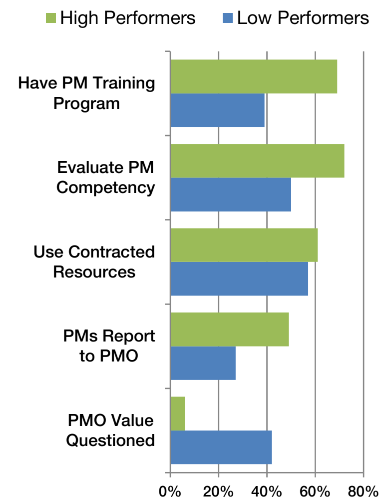
The greater the capability of the PMO, the greater the value the PMO contributes and the greater the overall performance of the organization. A highly-capable PMO engages in more functions, particularly project portfolio management and resource optimization, and is far less likely to have its value questioned by others in the organization.

Performance and Capability

- The percentage of Basic PMOs has increased significantly over prior surveys, primarily because of the significant number of new PMOs in small organizations.
- The majority of organizations have implemented PM processes and practices, fairly evenly split between those using them inconsistently and those using them consistently.
- PMOs demonstrate significant value. They've contributed, on average, a 30% decrease in failed projects, 25% of projects delivered under budget, a 22% improvement in productivity, 19% of projects delivered ahead of schedule, a 31% increase in customer satisfaction, 29% improvement in projects aligned with business objectives, and cost savings of US$411K per project.
- The median average age of PMOs in high-performing organizations is twice that of those in low performers (4 yrs vs. 2 yrs).
- Project managers in high-performing organizations are far more likely to report to the PMO, have more experience, and access to more training than those in low performing organizations.
- The biggest challenge to organizational performance is in optimally allocating project resources.
- PMOs in larger firms are more capable, and realize greater results, than those in mid-size and small firms.
- Government PMOs are less capable, and realize lesser results, than those in other industries.
- Enterprise PMOs realize greater results than Business Unit and IT PMOs.

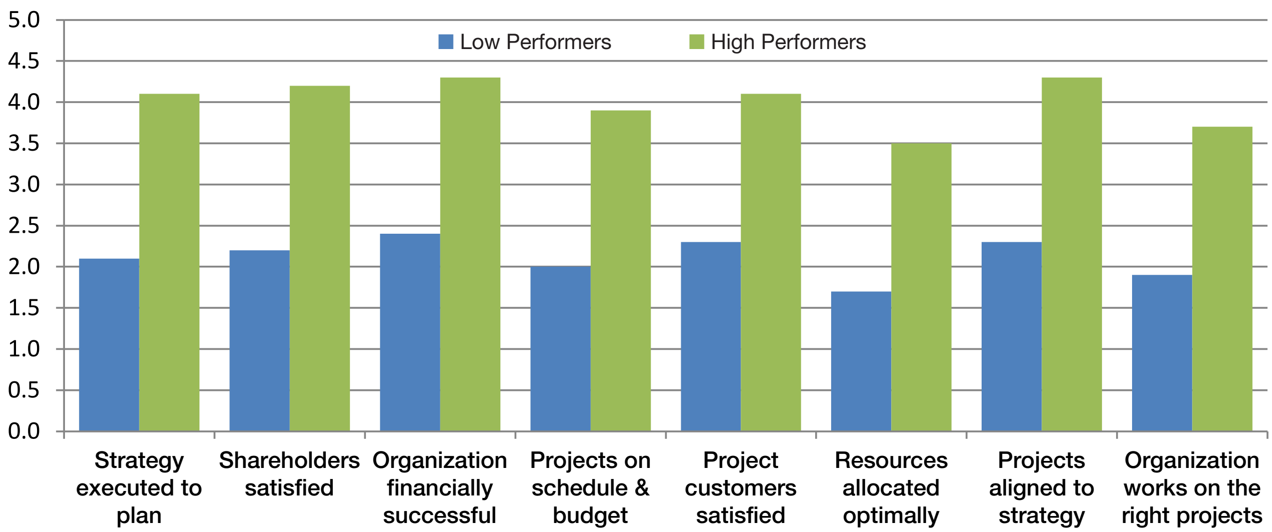
High Performers vs. Low Performers

PMOs in high-performing organizations are more likely to perform a variety of functions than in low performers.

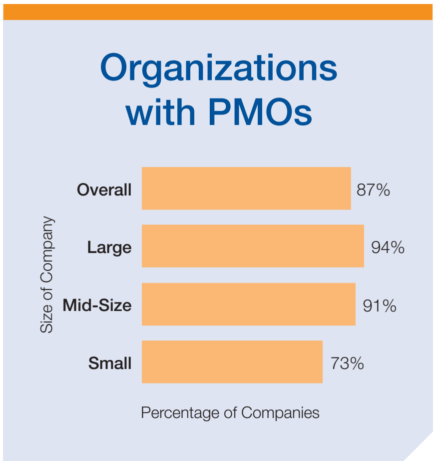


High Perfomers Deliver More Business Value than Low Performers

High-performing organizations are defined by the extent they realize their organizational goals. Organizations rated themselves on a score from 1 to 5, where 1=to no extent, 5=to a very great extent. High performers rank in the top 25% in overall performance; low performers rank in the bottom 25%.



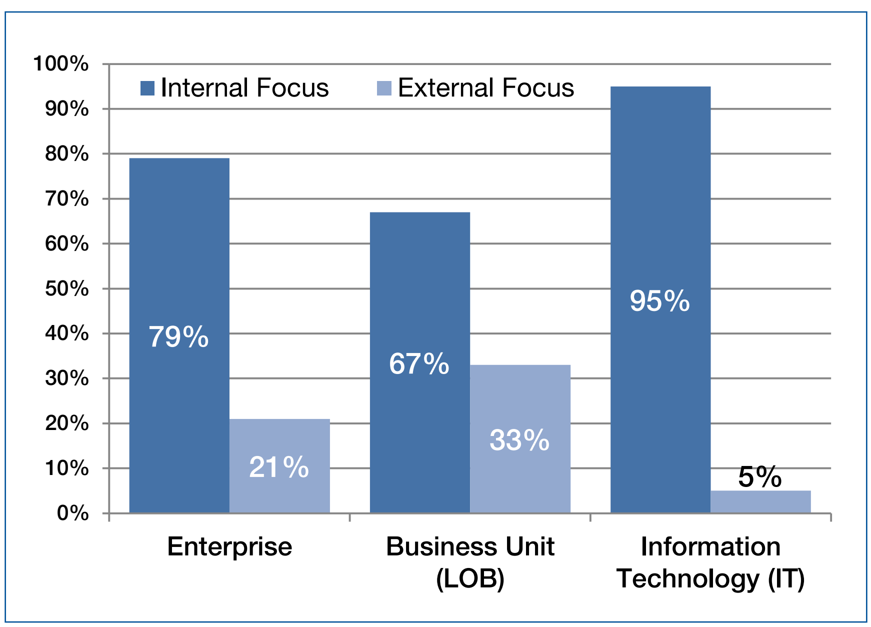
PMO Size, Scope, Complexity



- PMOs are now commonplace: 87% of respondents have a PMO (compared to 84% in 2010) and of those that don't, 40% have plans to implement a PMO within a year. Although mid-size and large companies are more likely to have a PMO than small companies, the biggest growth in companies, by far, was in small companies — 73% of small firms now have PMOs compared to 48% in 2010. Over 90% of mid-size and large companies have PMOs.
- Although PMOs are new to many companies, a majority have been in existence long enough to be getting traction: 34% are 5 years old or older (compared to 32% in 2010). There's a direct, and strong, correlation between the age of the PMO and its capability.
- With an annual PMO budget averaging US$500K and an annual project budget of US$10M, the PMO budget is 5% of the total project budget on average (median), down 1.25% from 2010.
- Companies are split on whether or not project managers report directly to the PMO. On average, 42% of the project managers in a company report directly to the PMO. In 25% of companies, no project managers report to the PMO, and in 21% of companies, all of the project managers report to the PMO. Project managers are more likely to report to PMOs in professional services firms than in other industries. PMOs in high-performing organizations have a much larger percentage of project managers reporting to them than low performers (49% vs. 27%).
- Almost half (41%) of PMOs span the enterprise, with 29% work within IT divisions. Manufacturing companies are far less likely to have enterprise PMOs, and healthcare companies are far more likely to have IT PMOs.
- Most PMOs are internal-project focused. Small companies, professional services companies, and information companies, however, are far more likely to have an external-project focus. IT PMOs are almost solely internal-project focused.

PMO Service Span a Big Influence on Focus

IT PMOs focus almost exclusively on internal projects (they're a cost center). Business unit and enterprise PMOs have a significant focus on external projects (they're motivated to make a profit). The chart to the right represents the percentage of PMOs that are internally or externally focused depending on their span of influence.



PMO Functions

- In general, PMOs focus on project management functions, which makes sense. As in our prior surveys, implementing PM standards and policies, monitoring performance, and coaching and mentoring are the top functions performed by the PMO. Although more than half perform project portfolio management functions, the percentage of firms that do so hasn't increased since our 2010 study.
- Only half of the PMOs surveyed say they communicate the PMO's business value to business peers. Less than a third analyze and report on benefits realized. Only 55% of PMOs have risk management as one of their functions.
- A majority of PMOs do not engage in resource management functions. These functions include resource forecasting, capacity management, and demand management or financial management functions, such as internal cost allocation, or activity-based costing.
- Three-quarters of PMOs use the *PMBOK® Guide* as a methodology. A quarter practice agile project management. Almost half have their own, in-house developed methodology.
- PMOs in larger organizations are more likely to practice project portfolio management and performance measurement.
- PMOs in public administration organizations are far less likely to perform project portfolio management and resource management functions than other industries. Those in manufacturing firms are far less likely to communicate the business value of project management or the PMO to business peers.
- Enterprise PMOs are far more likely to engage in project portfolio management than other types of PMOs, to communicate the value of project management and the PMO to peers, and to engage in benefits realization analysis and reporting.
- External-project focused PMOs are more likely to engage in risk management, interface with customers/suppliers, manage project planners/controllers, and engage in financial management, especially internal cost allocation and activity-based costing. Internal-project focused PMOs are more likely to engage in project portfolio management.
- The greater the capability and performance of the PMO the greater the number of functions in which it engages, in all areas including governance, portfolio management, project/program management, resource optimization, performance measurement, positioning management, and financial management.

Top 10 PMO Functions

1. PM methodology, standards implementation/management
2. Project policies, procedures, templates implementation/management
3. Project/program monitoring and controlling
4. PM coaching and mentoring
5. Project/program initiation
6. Governance process implementation/management
7. Multi-project coordination
8. Project/program closing
9. Project performance monitoring/controlling
10. Dashboard/scorecard implementation/management

PMO Staffing

The PMO in 2012 at a Glance

- PMO Age: 3 years
- PMO Budget: US$500,000
- PMO Budget as a Percent of Overall Project Budget: 5%
- PMO Staff Size: 7 people
- Percentage of Project Managers that Report to the PMO: 42%
- PMOs Using Contracted Resources to Manage Projects and Programs: 61%
- PMO Staff with PMPs: 40%
- Project Management Experience of PMO Staff: 10 years
- PMO Staff Training per Year: 5 days

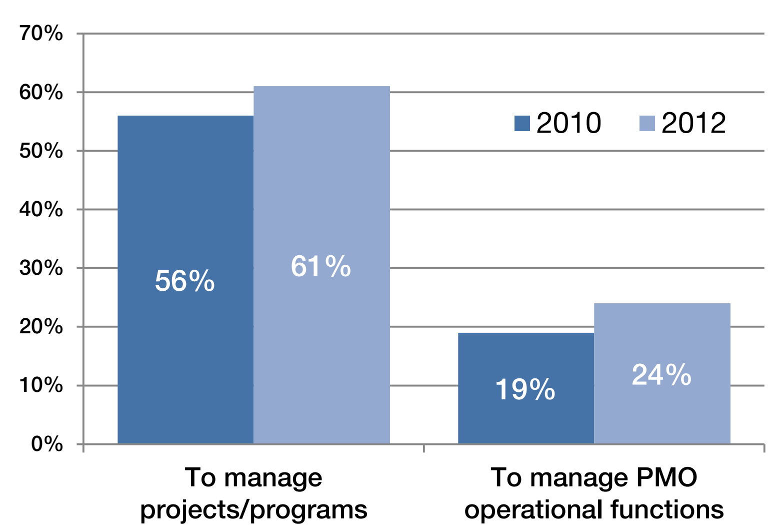
All responses are median averages

- The size of PMOs has remained about the same since our 2007 survey. The average PMO has 7 people reporting to it (the range of PMO size is huge — from a single person to more than 1,000.
- PMOs are becoming more and more responsible for managing projects and project managers. In this survey 75% of PMOs have project managers in their staff, up from 72% in the 2010 survey and 60% in the 2007 survey.
- PMO staff are highly experienced. The staff in 86% of companies have 5 or more years of project management experience (up from 83% in the 2010 survey).
- More than half (61%) of the PMOs reported that they use contracted resources to manage projects/programs.
- The larger the size of the organization, the larger the size of the PMO's staff, the more likely they are to have managers of project managers and metrics analysts, to use contracted resources, and to have project management training programs in place.
- PMOs in professional services and utilities organizations are larger on average than in other industries. Utility PMOs are far more likely to use project schedulers and controllers. Healthcare and utility PMOs are more likely to use contracted resources to manage projects/programs. Healthcare PMOs are much more likely to have PMPs. Professional services PMOs are more likely to be involved in evaluating the competency of project managers.
- PMOs in IT divisions are far less likely to have program managers than business unit and enterprise PMOs. Enterprise PMOs are far more likely to have project planners and controllers.

Percentage of PMOs that Outsource Continues to Grow

Companies continue to use contracted resources to manage project and programs as well as manage some or all of their PMO operational functions. PMOs from larger firms, IT divisions, and high-performing organizations are more likely to use contracted resources.

Percentage of PMOs that Use Contracted Resources Continues to Grow



PMO Challenges

- The number one challenge to the PMO is formally defining its role (this may in part reflect the number of new PMOs in small organizations). Resource management is still a significant challenge (number one in 2010 and 2007). Slightly contradicting the answers to the question on whether or not the PMO's value has been challenged is the fact that demonstrating the added value of the PMO is the fourth greatest challenge (the same as in the 2010 survey).
- PMOs in small firms are much more challenged than those in mid-size and large firms (16% of small firms questioned or considering closing them vs. 4% of larger firms).
- PMOs in public administration organizations are more likely to be challenged by others in the organization than those from other industries. And 20% of them report their biggest challenge to be formally defining the PMO role.
- Business unit PMOs are much more likely than IT or enterprise PMOs to report their biggest challenge to be project managers with inadequate skills or not having enough project managers.
- External-project focused PMOs are much more likely than internal-project focused PMOs to report their biggest challenge to be not having enough project managers.
- High-performing organizations are far less likely to question the value of their PMOs (4% of high performers questioned or considered closing them vs. 17% of low performers). Low-performing organizations are far more likely than high performers to see getting executive support and formally defining the PMO role as their greatest challenge.
- The greater the capability of the PMO the less likely its value has been questioned by the organization. The lower the capability of the PMO the more likely it is that their greatest challenge is formally defining the PMO role. The greater the PMO's capability, the more likely it is that assuring the consistent application of defined processes is its greatest challenge.

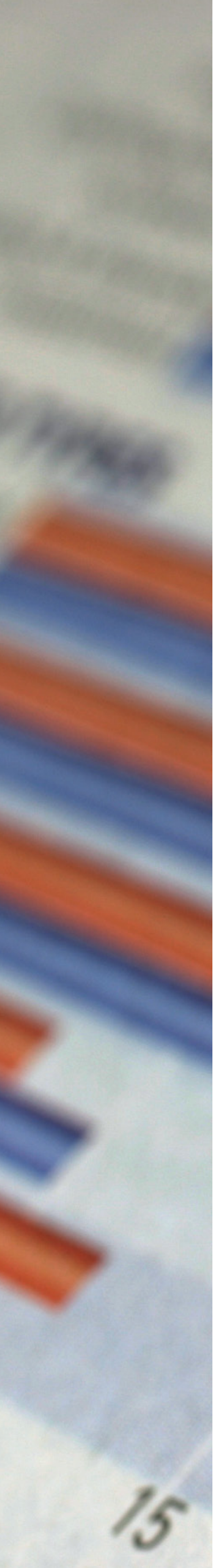
Greatest PMO Challenges

- Formally defining the role of the PMO
- Resource management
- Assuring the consistent application of defined processes
- Demonstrating the added value of the PMO

The Outlook for PMOs

What does the future hold? Based on the trends identified by comparing the 2012 results with previous years, PM Solutions Research projects that:

- PMO leaders will continue to build better relationships with executive management, by improving PMO performance measurement, refining the value proposition of the PMO, and demonstrating business results.
- PM training will remain steady, with PMOs replacing skills lost to layoffs through stepped-up basic project management training augmented by the use of contracted resources.
- Improvements in performance measurement will make it possible for PMOs to more accurately measure productivity, relate training investments to project performance improvement, and track benefits.
- As PMO leaders strive to define their organization's role, they will move from a linear set of "levels" of capability, which many of them report finding too prescriptive and limiting, to a more descriptive model that functions as a menu of possible PMO features and capabilities.



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About PM Solutions

PM Solutions is a project management firm helping organizations execute, govern, and measure their portfolios to improve business performance. We are the leader in applying project and portfolio management processes and practices to drive operational efficiency for our clients.

Founded in 1996 by J. Kent Crawford, PMP®, the former president and chair of the Project Management Institute (PMI®), PM Solutions delivers expert project management services to help organizations and its people perform to maximum potential. Our targeted offerings address business needs in the following areas:

- Organizational Improvement
- Project Execution
- Learning & Development

PM Solutions' PMO Practice

For more than 15 years, PM Solutions has been well-known as a leader in PMO design and practice, bringing its clients the expertise and tools needed to help create and sustain a value-driven PMO. We regularly work with clients to deploy a new PMO, operate a PMO, or optimize and enhance an existing PMO to meet a set of evolving challenges, functions, and services. Our processes are scalable and fit PMOs at any level of the organization (enterprise, divisional, departmental, etc.) at any level of PMO maturity.

PM Solutions' highly experienced consultants (15 years on average) have deployed and actively managed PMOs for both commercial and government organizations. We've worked in most industries, including manufacturing, IT, financial services, and healthcare.

PMO structure and process are only part of the overall picture. It takes people to adapt to the cultural shifts that result and embrace PMO operations. Because we have our own training division, the PM College, we incorporate training, professional development, mentoring, and coaching, which are integral parts of making a PMO "stick" and become a valued organizational entity to the business.

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The State of the Project Management Office (PMO)

2014

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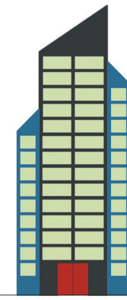
The State of the Project Management Office (PMO) 2016

Enabling Strategy Execution Excellence

pmsolutions research

Introduction

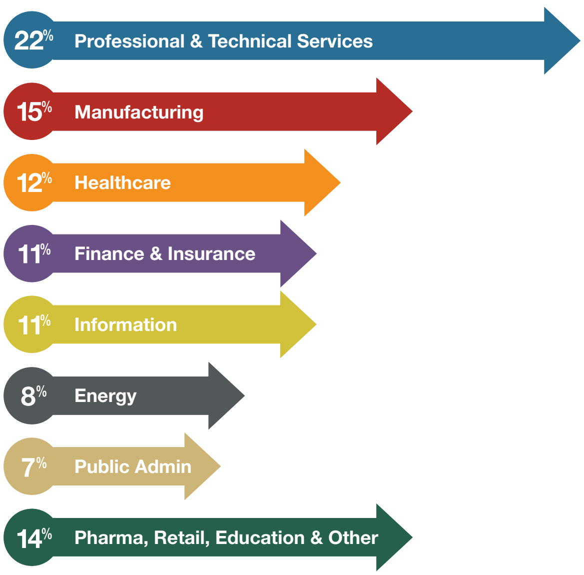
PM Solutions Research first surveyed organizations about their Project/Program Management Office (PMO) practices in 2007. In our latest survey, we've taken another look at the PMO, which has become the central organizational structure for standardizing the practices of companies in the delivery of their projects. This research will help us understand PMO trends pointing to solutions that will lead organizations to success in these complex, fast-changing times.



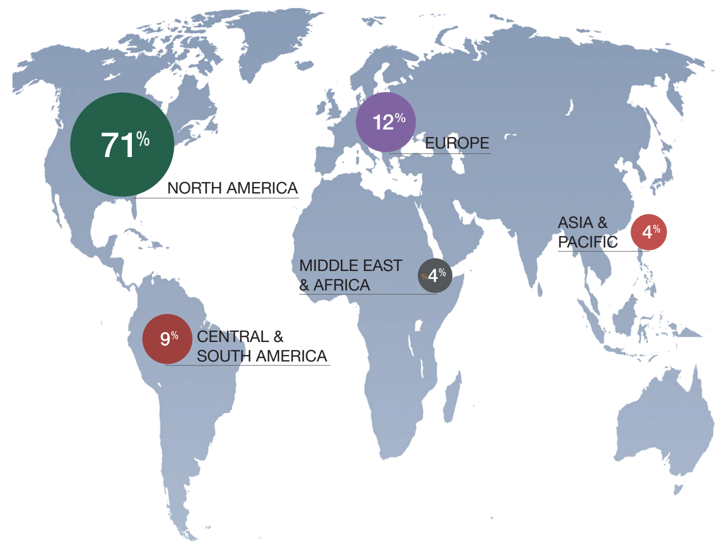
Organizations Participating

226

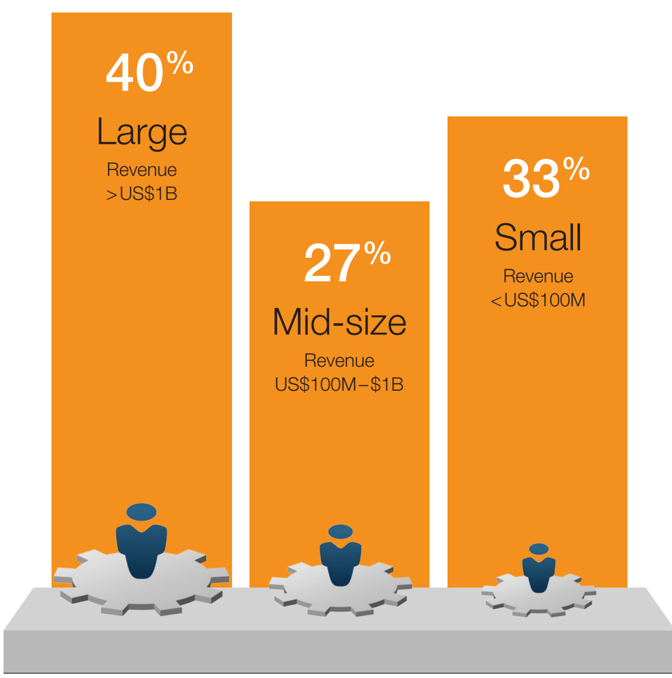
Respondents by Industry



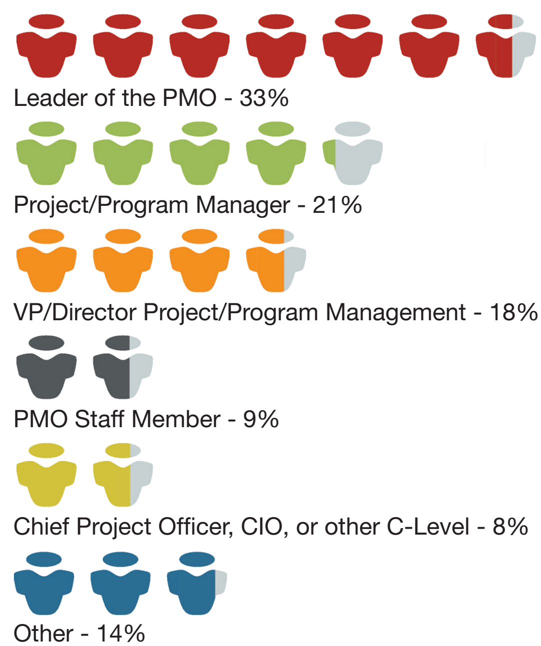
Respondents by Geography



Respondents by Size of Firm



Respondents by Title



After A Decade, Mature PMOs Point the Way

In the fifth iteration of our biennial study, we find that PMOs have consolidated their position as a strategic partner in today's organizations. The majority of organizations either have PMOs or are planning to implement one in the coming year; and for those PMOs that have been in place for over five years, expansion of responsibilities and improvements in results are remarkable. Their value is rarely questioned by the organization, and they are more likely to engage in tasks that impact strategic planning, governance, and portfolio management. These more mature PMOs have an impact, not only on projects and programs, but on overall organizational success. As a group, their results provide an aspirational model for PMOs still finding their way.

» PMOs have become a standard feature of the organizational landscape: 85% of respondents have a PMO, up 5% from our 2014 survey. And 30% of those without a PMO plan to implement one within the next year, the same as our 2014 survey. Professional services (70%) firms are less likely to have a PMO than other industries. There's a significant growth in the percentage of manufacturing firms that have PMOs (93% in 2016 vs. 78% in 2014).

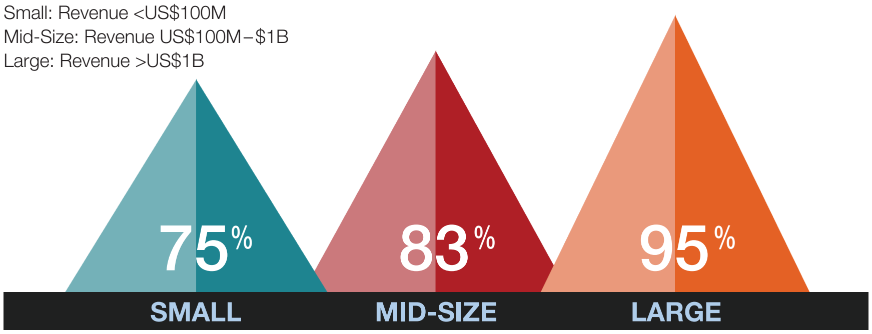
» PMOs continue to age – and with age comes wisdom. The average PMO is 5 years old (up from 4 years in 2014) with 56% being 5 years old and older (up from 47% in 2014). Still, 24% of PMOs are 2 years old or less (down from 30% in 2014). Most importantly, there is a direct and strong correlation between the age of the PMO and its capability. And PMOs in high-performing organizations are on average older than those in low performers (6 years vs. 3 years).

» Most PMOs report to a Vice President or higher; 49% to the C-level.

» In general, PMOs focus on project management and strategy execution functions, which makes sense. Implementing governance processes and PM standards and policies, aligning projects with strategic objectives, portfolio tracking, and coaching and mentoring are the top functions performed by the PMO.

Percentage of Firms with PMOs

Small: Revenue <US$100M
Mid-Size: Revenue US$100M–$1B
Large: Revenue >US$1B



Summary Findings

» A majority of firms (85%) have a PMO in place.

» PMOs are a strategic resource. Most report to a VP or higher; 49% directly to the C-level.

» There is a direct correlation between the age of the PMO and its capability.

» PMOs are now more likely to engage in tasks that impact strategic planning, governance, and portfolio management.

» PMOs in high-performing organizations contributed a significantly higher percentage of value in all measures of performance.

» More than half of PMOs use contracted resources to manage projects/programs.

» PMOs in high-performing firms are far more likely to have a training program in place.

» PMO staffs are highly experienced (10 years) and almost half (45%) have PMPs.

» There is a direct correlation between PMO capability and the value it contributes to the organization.

PMO Capability Defined

- **Level 5: Best in Class**
  Continuous improvement processes-practices used enterprisewide
- **Level 4: Strategic**
  Standard portfolio management processes-practices used enterprisewide
- **Level 3: Institutionalized**
  Standard PM processes-practices used across the enterprise
- **Level 2: Established**
  Standard PM processes-practices used consistently
- **Level 1: Basic**
  Basic PM processes-practices used inconsistently
- **Level 0: None**
  No formal PMO or one is under development

Organizational Performance Defined

High-performing organizations are defined by the extent they realise their organizational goals. Respondents rated their companies on a score from 1 to 5, where 1=to no extent and 5=to a very great extent on how well they met eight measures of organizational performance: strategy execution, shareholder satisfaction, financial success, schedule/budget performance, customer satisfaction, resource allocation, strategic alignment, project prioritization. High performers rank in the top 25% in overall performance. Low performers rank in the bottom 25%.

Value to the Organization

One of the unique aspects of this study is that it examines not only what PMOs do, but attempts to validate whether or not those functions impact both project/program performance and organizational success. We do this by measuring two distinct aspects of PMO and corporate performance:

PMO Capability

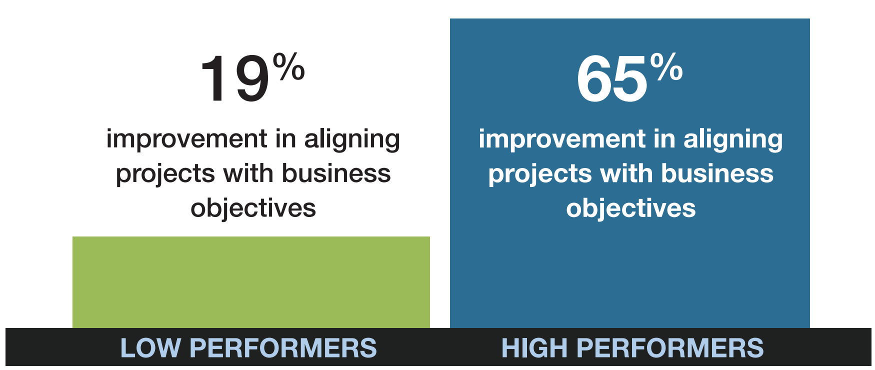
PMOs in the study were asked to rank their internal capability based on six levels of PMO capability (see PMO Capability Defined left). They were also asked to rate how well their organizations performed on each of eight measures of organizational performance based on a scale of one to five (see Performance Defined at left). We then averaged the ratings across all eight measures of organizational performance based on the level of PMO Capability – the results are shown in the chart on page five.

Organizational Performance

Respondents to the survey also rate their sponsoring organization on an array of performance measures (see Organizational Performance Defined at left). The resulting data allows us to sort respondents' organizations into two groups, High Performers (those that score in the top 25%) and Low Performers (those that score in the bottom 25%). Comparing the functions, results and challenges of these two groups provides an indication of the organizational value of PMO functions and capabilities.

- The average level of PMO capability remained the same from 2014 to 2016 (2.1).
- Unsurprisingly, PMOs in high-performing organizations rate much higher in PMO capability than those in low performers (2.8 vs 1.2).

High Performers Deliver Significantly Greater Value in Improving the Alignment of Projects with Business Objectives



- PMOs in manufacturing organizations rate a lower level of capability (1.6) than those in other industries.
- External-project-focused PMOs rate much higher than internal-focused PMOs (2.6 vs 2.0), primarily because of the larger number of Level 4/ Level 5 PMOs (18% vs. 4%).
- The value and results the PMO has contributed in the past 12 months was slightly better than the value and results reported in the 2014 survey.
- In general, PMOs in small organizations contributed a higher percentage of value in most measures of performance (except for cost savings per project).
- In general, there is a direct correlation between the capability of the PMO and the value it has contributed to the organization over the past 12 months.
- Again, unsurprisingly, PMOs in high-performing organizations contributed a significantly higher percentage of value in all measures of performance, especially in percentage improvement in projects aligned with business objectives (65% vs. 19%).

PMOs in high-performing organizations are, on average, twice as old as those in low performers (6 vs. 3 years)

PMO VALUE DELIVERED
33% Improvement in projects delivered under budget

PMO VALUE DELIVERED
27% Improvement in customer satisfaction

PMO VALUE DELIVERED
25% Improvement in productivity

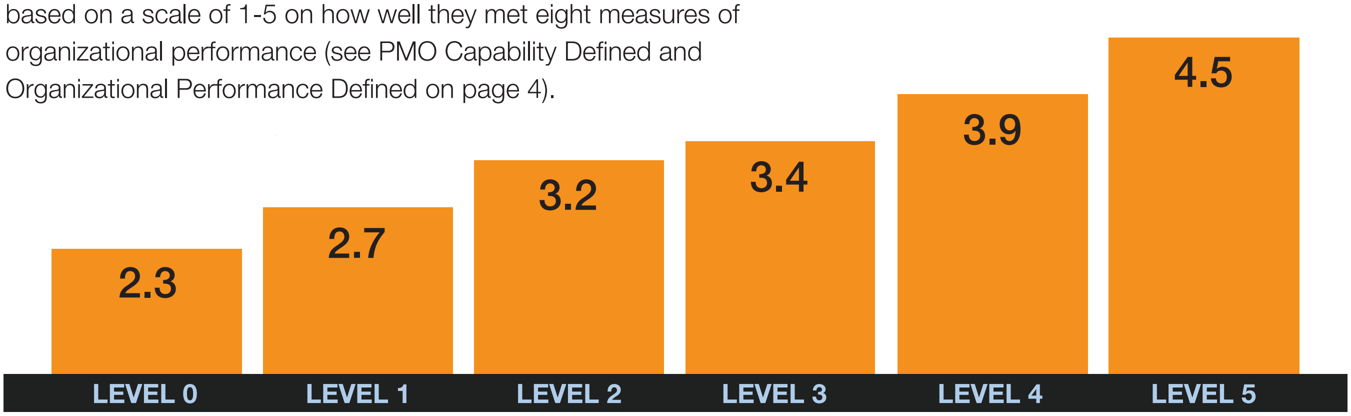
PMO VALUE DELIVERED
43% Improvement in alignment of projects with firm's objectives

PMO VALUE DELIVERED
25% Decrease in failed projects

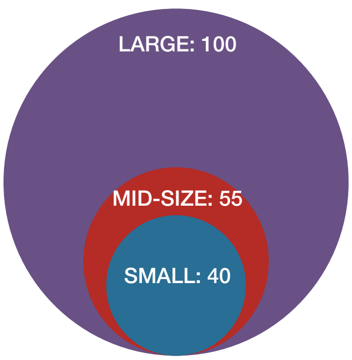
PMO VALUE DELIVERED
$175K Cost savings per project (in US Dollars)

Greater PMO Capability Leads to Greater Performance

As the PMOs capability improves, the performance of the organization increases, based on a scale of 1-5 on how well they met eight measures of organizational performance (see PMO Capability Defined and Organizational Performance Defined on page 4).



Lessons from the Best
Three Ways Mature PMOs Deliver More Value



Average Number of Projects Worked On Each Year

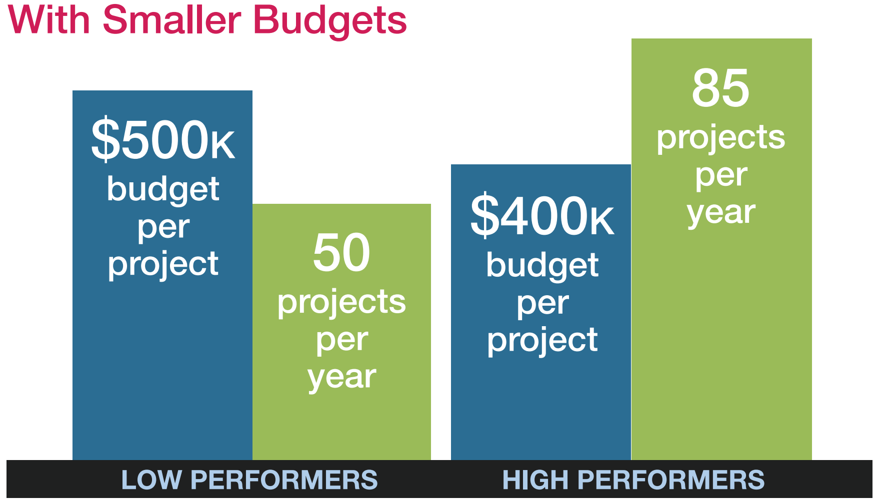
BY SIZE OF ORGANIZATION

PMO Size, Scope, Complexity

In general, the greater the PMO capability the more projects it works on per year and the higher the budget per project. High-performing organizations work on significantly more projects per year (85) than low performers (50), and their budgets per project are smaller ($400K vs. $500K). This speaks to the more capable PMOs understanding that "chunking" programs into smaller, more manageable initiatives is a key way to reduce the impact of project failures. Indeed, high-performing companies report a much greater decrease in failed projects than low performers (28% vs. 17%). Greater agility in responding to project challenges may also play a role in this improvement, as 100% of Best-in-Class PMOs now report using Agile methodologies.

- The average number of projects organizations work on per year (40/55/100) increases steadily and significantly from small to mid-size to large organizations.
- The average budget per project ($104K/$500K/$500K) is significantly smaller for small organizations.
- The budget per project has gone down from 2014 (from $430K to $360K), but the number of projects an organization works on per year has gone up (from 60 to 75).
- Information firms work on significantly fewer projects than organizations in other industries, with the lowest budget per project.
- Although externally focused PMOs work on fewer projects per year (50) than internally focused firms (75), they have a higher budget per project on average ($375K vs. $360K).

High Performers Work on More Projects With Smaller Budgets



- With an annual PMO budget averaging US$500,000 and an annual project budget of US$10 million, the PMO budget is 5% of the total project budget on average (median), up 0.6% from 2014.

Mature PMOs Excel in Managing Project Managers

Although companies are still somewhat split on whether or not project managers report directly to the PMO, the percentage of project managers who report to the PMO has gone up (from 42% in 2012 to 49% in 2014 to 52% in 2016). In general, the percentage of PMs who report to the PMO increases with the PMOs capability. More importantly PMOs in high-performing organizations have more project managers reporting to them than PMOs in low performers (68% vs. 53%).

- In 29% of organizations, 100% of project managers report to the PMO, up from 26% in 2014.
- And 25% of organizations have no project managers reporting to the PMO, up from 17% in 2014.
- Small organizations are far more likely to have project managers report to the PMO (90%) than large (30%) or mid-size (70%) organizations.
- Professional services organizations (which are more likely to be smaller firms) are more likely to have their PMs report to the PMO that those in other industries.
- Organizations with an external project focus are more likely to have their PMs report to their PMO that those with an internal project focus (69% compared to 46%).
- Most (85%), but not all, PMOs have a PMO Director or PMO Manager.
- PMO staffs have considerable experience—10 years on average; and almost half (45%) have PMPs.
- There appears to be little correlation between the capability and performance of the PMO and the experience of PMO staff.
- More than half (58%) of PMOs use contracted resources to manage project/programs (down slightly from 2014).
- And 14% use contracted resources to manage their functions (down 5% from 2014).
- IT PMOs are more likely to use contracted resources to manage projects/programs.

Successful PMOs Take Command of Training

More than half (60%) of PMOs have a project management training program in place (up 11% from 2014). PMOs in high-performing organizations are far more likely to have a training program in place than low performers (85% vs 38%).

The PMO in 2016 At a Glance

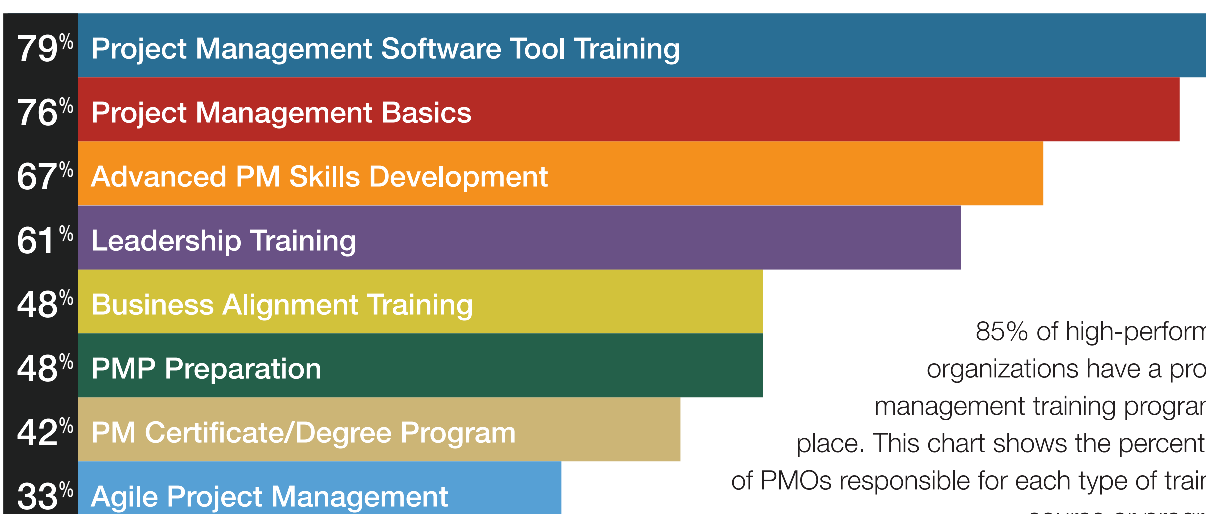
- **PMO Age: 5 years**
- **PMO Budget: US$500K**
- **PMO Budget as a Percent of Overall Project Budget: 5.0%**
- **Number of Projects/Year the PMO Works On: 75**
- **PMO Staff Size: 9**
- **Percentage of Project Managers that Report to the PMO: 52%**
- **PMOs Using Contracted Resources to Manage Projects/Programs: 58%**
- **PMOs Using Contracted Resources to Manage the PMO: 14%**
- **PMO Staff with PMPs: 45%**
- **Project Management Experience of PMO Staff: 10 years**
- **PMO Staff Training per Year: 5 days**
- **PMOs with a PM Career Path Established: 50%**
- **PMOs with PM Training Program in Place: 60%**
- **PMOs Using the PMBOK® Guide: 73%**

All responses are median averages

Although the average number of days of training per year (5 days) is the same as in 2014, there is significant difference between PMOs in high-performing organizations (8 days) and PMOs in low performers (3 days) in terms of the number of days of PM training they offer on average. There's a direct correlation between the capability of the PMO and whether they have established PM career paths and offer PM training. And PMOs in high-performing organizations are much more likely to have established PM career paths, offer PM training, and evaluate the competency of project managers than PMOs in low performers.

- The majority of PMOs (79%) offer onsite, classroom-based training using in-house trainers, but a significant number (51%) rely on external trainers for their onsite classes as well.
- Large organizations are more likely to use on-demand, online training.
- PMOs in finance organizations are more likely than PMOs in other industries to offer training leading to PM certificates or degrees and far less likely to offer advanced skill development and leadership training.
- PMOs from healthcare organizations are far less likely to offer instructor-led online training than those in other industries.
- Functional PMOs are far more likely to offer PMO prep training than other types of PMOs.
- PMOs in high-performing organizations are far more likely to use onsite, classroom-based training using external providers than low performers.
- Small organizations are less likely than mid-size and large firms to offer training in PM basics and business alignment training.
- External-project-focused PMOs are far more likely to offer advanced skill development training.

High Performers Offer Variety of Project Management Training



85% of high-performing organizations have a project management training program in place. This chart shows the percentage of PMOs responsible for each type of training course or program.

PMO Functions

Size of organization doesn't make a significant difference in which PMO functions are deployed. Professional services firms are more likely to perform PMO performance monitoring and product of the project benefit tracking than those in other industries. Financial firms are more likely to engage in strategic execution functions, such as organizational strategic planning, aligning projects with strategic objectives, portfolio tracking, and facilitating executive involvement.

- Most organizations focus on using the PMBOK Guide as their methodology.
- Enterprise PMOs are more likely to engage in portfolio tracking, management of project planners/controllers, and communicating project management's business value to business peers than Business Unit, Functional, and IT PMOs.
- Not surprisingly IT PMOs are more likely to use the ITIL methodology.
- Internal-project-focused PMOs are more likely to engage in the following functions than external-project-focused PMOs: alignment of projects with strategic objectives, portfolio communication management, and business requirements planning.
- External-project-focused organizations are more likely to engage in portfolio risk management, portfolio benefits realization tracking, resource forecasting, project professional hiring, skills identification, and staffing optimization.
- There's a definite correlation between a PMO's capability and the number of functions it engages in. Also, a much higher percentage of PMOs in high-performing organizations engage in pretty much all PMO functions compared with PMOs in low performers. In particular, there is an increase of over 40% in the percentage of PMOs in high-performing organizations over PMOs in low performers that engage in the following functions:
    - executive management advice/support
    - enterprise risk management
    - project management software implementation/management
    - management of project managers
    - skills identification
    - project manager performance evaluation
    - project management training curriculum development and coordination
    - project management training needs requirements and contracting
    - PMO performance monitoring/control
    - communicating the PMO's business value to business peers
    - strategic project ROI validation

Top PMO Functions

- **PM methodology, standards implementation/ management**
- **Project policies, procedures, templates implementation/ management**
- **PM coaching and mentoring**
- **Governance process implementation/ management**
- **Alignment of projects with strategic objectives**
- **Portfolio tracking (performance monitoring)**
- **Multi-project coordination**
- **Roles and responsibilities documentation**
- **Project performance monitoring/controlling**
- **Change control and issue tracking**
- **Dashboard/scorecard implementation/ management**
- **Interface with functional units**
- **Project/program management software implementation/ management**
- **Governance steering committee facilitation**

Top Five PMO Challenges

1. PMO processes seen as overhead — 50%
2. Organizational resistance to change — 42%
3. Demonstrating the added value of the PMO — 41%
4. Assuring the consistent application of defined processes — 38%
5. Project managers with inadequate project management skills — 35%

PMO Challenges

The challenges seen by the largest number of organizations are PMO processes seen as overhead, organizational resistance to change, and demonstrating the added value of the PMO. In general, there is a correlation between the capability of an organization's PMO and the number of challenges it faces. Also, far more PMOs in low-performing organizations face challenges than those in high-performing organizations, especially in demonstrating the added value of the PMO, having inadequate executive support, and having a clearly defined role for the PMO.

- The percentage of PMOs whose value has been seriously questioned by many, possibly closing the PMO, is down from 2014 (10% vs. 12%).
- Questioning the value of the PMO is highest in finance organizations (18%), IT PMOs (12%), and internal-project-focused organizations (11%).
- Very few PMOs in high-performing organizations (5%) have many questioning their value; 29% of PMOs in low performers, however, are questioned by many in their organization.
- IT PMOs face far more challenges than enterprise and line of business PMOs, particularly inadequate resource management capability.
- Internal-project-focused organizations find having an inadequate resource management capability a challenge more than external-focused organizations.

Top Five PMO Priorities Over the Next 12 Months

1. Implement / enhance governance process — 58%
2. Implement resource planning and forecasting process — 56%
3. Implement / enhance core PM processes — 54%
4. Implement / enhance reporting, analytics, dashboard tools — 51%
5. Implement / enhance portfolio management process — 49%

Looking Ahead: PMO Priorities for 2017

Mature PMOs will continue to consolidate their position, adding capabilities in performance measurement and benefits realization management. Less-mature PMOs would do well to compare their own functions and processes to the example of the mature PMOs in this study, using them as a model to create roadmaps to improved functionality and performance.

» Organizations with PMOs are more likely to focus on implementing/enhancing their governance process, improving their resource planning and forecasting process, implementing/enhancing core PM processes, and implementing/enhancing reporting, analytics, and dashboard tools.

» Organizations without a PMO are more likely to focus on engaging in PPM training or mentoring, implementing/enhancing core PM processes, and implementing a project review process.

» Large organizations are more likely to focus on implementing/enhancing a governance process and implementing/enhancing a portfolio management process. Healthcare organizations are more likely to focus on improving their resource planning and forecasting process. Finance organizations are more likely to focus on improving their enterprise and strategic alignment. Enterprise and IT PMOs are more likely to focus on implementing/enhancing a governance process. Business Unit and Functional PMOs are more likely to focus on implementing/enhancing core PM processes. Internal-project-focused PMOs are more likely to focus on improving their resource planning and forecasting process. External-project-focused PMOs are more likely to focus on implementing/enhancing their governance process. PMOs in high-performing organizations are more likely to focus on improving their resource planning and forecasting process. And PMOs in low-performing organizations are more likely to focus on implementing/enhancing core PM processes.

Just Getting Started with a PMO? Aim High and Go Long

The research findings allow us to construct a picture of the mature, trusted PMO that delivers value to the organization. Here are some of the significant differentiators of Best-in-Class PMOs:

- 100% have an Enterprise/Strategic service span
- 66% report to the C-level; 67% report that PMO value is rarely questioned
- 100% participate in organizational strategic planning and enterprise risk management
- 100% perform crucial PPM functions, including portfolio strategy formulation, portfolio performance monitoring, portfolio risk management, portfolio rebalancing and the reallocation of budget and resources
- 100% monitor PMO performance, and they report that measuring and reporting on PMO value is one of their top priorities.
- 100% perform benefits realization analysis and reporting

When it comes to resource management, Best-in-Class PMOs in the study reported performing a wide variety of functions:

- 100% perform capacity planning and skills identification
- 100% develop, coordinate and deliver project management training
- Fewer Best-in-Class PMOs report performing career path development, perhaps because career paths have already been established earlier in their history (89% of PMOs at the "Strategic" capability level report that they develop career paths).
- Best-in-class PMOs are much more likely than all other PMOs to use contracted resources to manage both PMO operations (67% vs 12%) and projects/programs (67% vs 58%).

Finally, when we look at high- and low-performing organizations in the study, the correlation between PMO capability and organizational performance is clear: 86% of the organizations that report having either no PMO or the most basic Level 1 PMO fall into the low-performing quartile. However, 59% of companies in the high-performing quartile report having PMOs that score at Level 3 or above.

For companies seeking to improve their project and program execution, the message is clear: commit to the development of a PMO at the strategic level, work with the PMO as a partner in strategy formulation and execution, and dig in for the long haul. Companies that have stayed the course with their PMOs over the past decade are now reaping the rewards.

About PM Solutions

Professional services firm PM Solutions is the leader in applying project, portfolio and PMO management processes and practices to improve operational efficiency and business performance for our clients.

Founded in 1996 by J. Kent Crawford, PMP, a former president and chair of the Project Management Institute (PMI®), PM Solutions delivers expert project management solutions and services to help organizations and their people perform to maximum potential. Comprehensive offerings include:

- PMO transformation
- Project portfolio management process improvement
- Program and project management resources
- Corporate training and competency development delivered through our training division, PM College®

PM Solutions' PMO Practice

For nearly 20 years, PM Solutions has been well-known as a leader in PMO design and practice, bringing its clients the expertise and tools needed to help create and sustain a value-driven PMO. We regularly work with clients to deploy a new PMO, operate a PMO, or optimize and enhance an existing PMO to meet a set of evolving challenges, functions, and services. Our processes are scalable and fit PMOs at any level of the organization (enterprise, divisional, departmental, etc.) at any level of PMO maturity.

PM Solutions' highly experienced consultants (15 years on average) have deployed and actively managed PMOs for both commercial and government organizations. We've worked in most industries, including manufacturing, IT, financial services, and healthcare.

PMO structure and process are only part of the overall picture; people must embrace PMO operations and adapt to the cultural shifts that result from implementation. Because we have our own training division, the PM College, we incorporate training, professional development, mentoring, and coaching—integral parts of making a PMO "stick" and become a valued organizational entity to the business.

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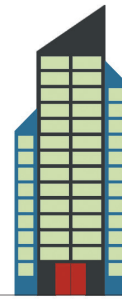
pmsolutions® »research

INTRODUCTION

PM Solutions Research first surveyed organizations about their Project/Program Management Office (PMO) practices in 2000. In our latest survey, we've taken another look at the PMO, which has become the central organizational structure for standardizing the practices of companies in the delivery of their projects. This research will help us understand PMO trends pointing to solutions that will lead organizations to success in these complex, fast-changing times.

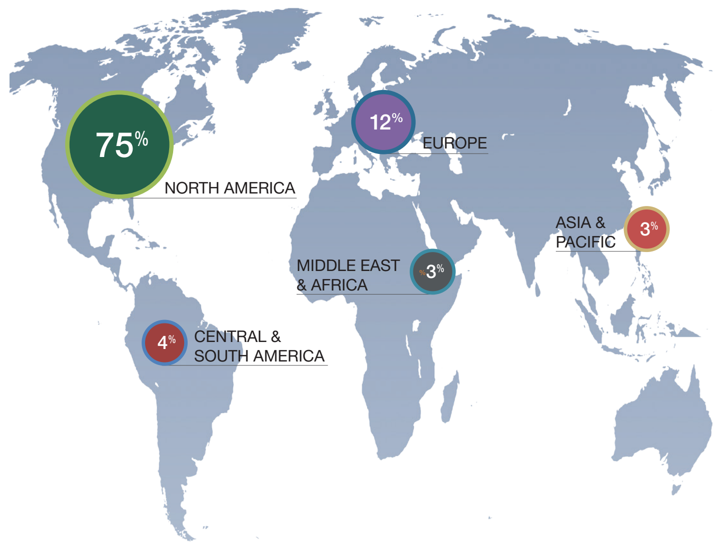


ORGANIZATIONS PARTICIPATING

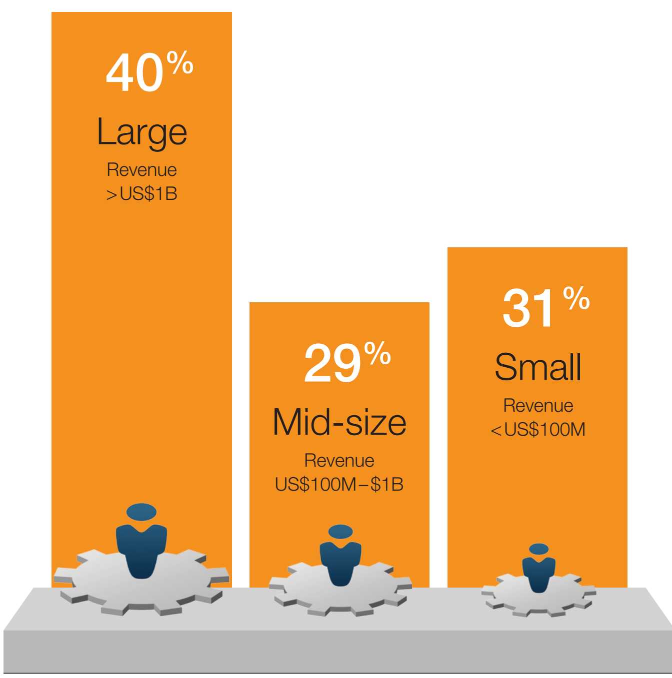
432

RESPONDENTS BY INDUSTRY

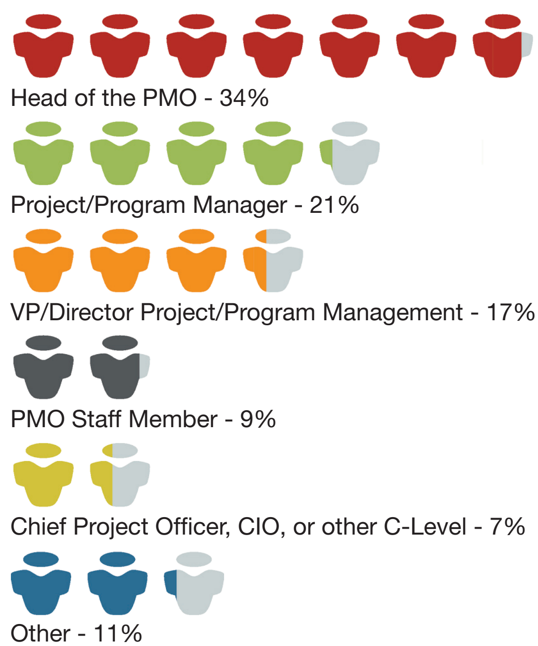
RESPONDENTS BY GEOGRAPHY



RESPONDENTS BY SIZE OF FIRM



RESPONDENTS BY TITLE



The State of the PMO

For over a decade, PM Solutions has been actively gathering data on PMO trends, where we've seen a steady climb in the prevalence and influence of the PMO. In our 2000 research on The Value of Project Management, only 47% of companies had a PMO. By 2014 that percentage has grown substantially, to 80% (90% in large firms), though we saw a small dip from 2012, driven primarily by a drop in the percentage of PMOs in small organizations.

It's clear that PMOs at the top of their game not only impact project management performance, but boost organizational performance as a whole. PMOs in high-performing organizations:

- Score significantly higher on addressing the issues that matter most to executives, including alignment with business objectives and prioritizing projects effectively.
- Are nearly twice as likely to engage in portfolio management functions.
- Are more than twice as likely to practice resource optimization functions. They also manage more project managers and engage in more training activities.

The biggest challenges PMOs face are that they're seen as overhead and their organizations continue to be resistant to change. Successful PMOs realize that it's often not enough to just deliver value — they make the business value of the PMO known throughout the organization, consistently and often.

Bottom line: the PMO continues to be an organizational fixture that provides significant value to the business. By studying the functions and practices of PMOs in high-performing organizations you'll have a roadmap to guide you to improved PMO and organizational success.

PMO VALUE DELIVERED

45% Improvement in alignment of projects with firm's objectives

PMO VALUE DELIVERED

27% Decrease in failed projects

PMO VALUE DELIVERED

$101K Cost savings per project (in US Dollars)

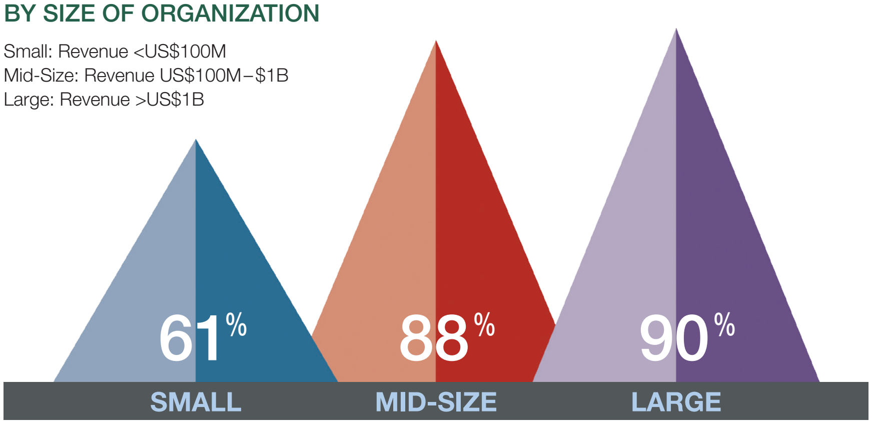
PERFORMANCE DEFINED

High-performing organizations are defined by the extent they realise their organizational goals. Respondents rated their companies on a score from 1 to 5, where 1=to no extent and 5=to a very great extent on how well they met eight measures of organizational performance: strategy execution, shareholder satisfaction, financial success, schedule/budget performance, customer satisfaction, resource allocation, strategic alignment, project prioritization. High performers rank in the top 25% in overall performance. Low performers rank in the bottom 25%.

PERCENTAGE OF FIRMS WITH PMOs

BY SIZE OF ORGANIZATION

Small: Revenue <US$100M
Mid-Size: Revenue US$100M–$1B
Large: Revenue >US$1B



SUMMARY FINDINGS

- A majority of firms (80%) have a PMO in place.
- PMOs are a strategic resource. Most report to a VP or higher; 43% directly to the C-level.
- There is a direct and strong correlation between the age of the PMO and its capability.
- PMOs in high-performing firms have significantly more project managers reporting to them than in low performing firms.
- PMOs are performing more functions, especially portfolio management, but still focus on project management functions.
- More than half of PMOs use contracted resources to manage projects/ programs.
- PMOs in high-performing firms are far more likely to have a training program in place.
- PMO staffs are highly experienced (10 years) and almost half (49%) have PMPs.

PMOs Become Strategic

The findings of this research describe an organizational entity that continues to expand its influence and be a strategic resource for firms. At the same time, companies of all sizes are now implementing PMOs, broadening the trend across the marketplace. Of the high-performing organizations in the study, 70% are large firms with over US$100 million in revenues; 73% of the individuals responding to the survey are at the Director level or above in their organizations. Well over half of PMOs in high-performing organizations now report to the highest levels of executive management, with 76% reporting to an Executive Vice President or above.

As PMOs garner more attention at the executive level, their role in strategic functions increases. Since 2012, we have seen the percentage of PMOs that participate in strategic tasks increase: for example, overall the percentage participating in strategic planning has grown from 48% to 55%; in high performers it's 75%. And the percentage of PMOs engaging in portfolio management functions has increased significantly. At the same time, PMO leaders list "organizational resistance to change" and "PMO processes seen as overhead" as their top challenges; the top challenges for high-performing organizations is "having enough time/ resources to devote to strategic activities." We interpret this to mean that, with the business outlook just beginning to turn positive, companies have demanded more of their PMOs and PMO leaders have responded by an increased focus on improving organizational performance. PMO leaders in high-performing organizations realize the strategic value that they can add to their companies.

PMOs NEED TO COMMUNICATE THEIR VALUE

Now is the time for the PMO to prove its value, and PMO leaders are stepping up to the plate: respondents from high-performing organizations report saving their organizations an average of US$186,000 per project and improving their alignment of projects with business objectives a whopping 53%. And more than 60% of these organizations actively communicate the value of project management and the PMO to their business peers.

PMOs in high-performing organizations continue to be trusted with high-value, strategic responsibilities: 77% participate in strategic planning and 87% focus on aligning projects with strategic objectives. They're active in portfolio management: 54% of them engage in portfolio management strategy formulation, compared to only 17% of PMOs in low performers. Part of their story is simply maturity, however; the median age of PMOs in high-performing organizations is five years (compared with three years for PMOs in low performers).

Performance and Capability

PMO CAPABILITY

- PMOs in high-performing organizations rate much higher in PMO capability than those in low performers (2.9 vs 1.4)
- PMOs have shown an increase in capability since our 2012 survey. In particular, a larger percentage of PMOs have reached Level 3 (Institutionalized) capability.
- PMOs in healthcare organizations rate a lower level of capability than those in other industries.
- External project focused PMOs rate higher in capability than internal focused PMOs on average, primarily because of the larger number of Level 4/Level 5 PMOs (15% vs. 6%).

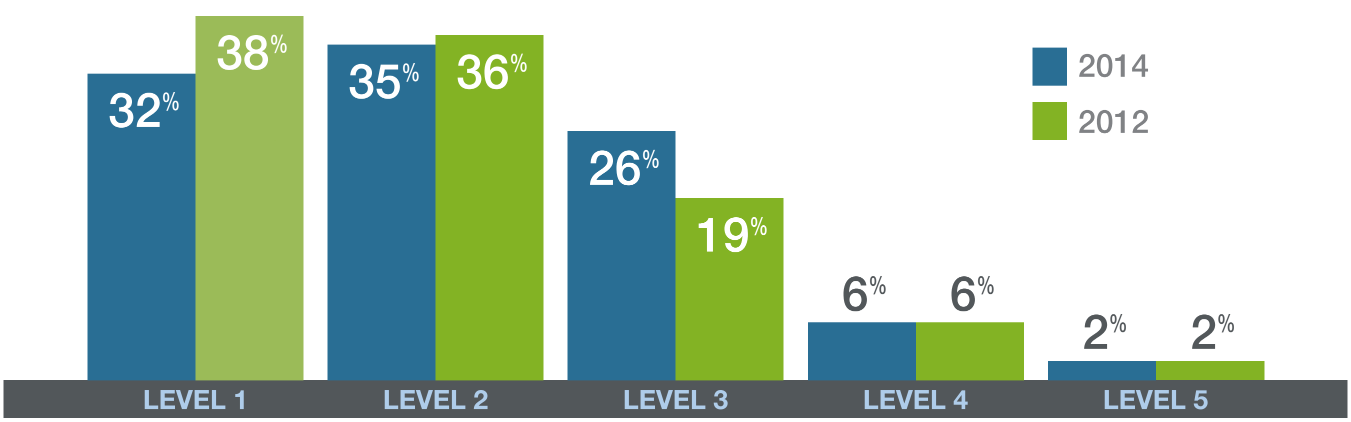
PMO VALUE DELIVERED

- There is a direct correlation between the capability of the PMO and the value it has contributed to the organization over the past 12 months.
- PMOs in high-performing organizations contributed a significantly higher percentage of value in all measures of performance.
- Project managers in high-performing organizations are far more likely to report to the PMO and have access to more training than those in low-performing organizations.
- The median age of PMOs in high-performing organizations is significantly higher than those in low-performing organizations (5 years vs. 3 years).
- PMOs in high-performing organizations perform the following functions significantly more often those in low-performing organizations: alignment of projects with strategic ojectives, portfolio governance and oversight, portfolio communications management, and portfolio risk management
- In general, PMOs in small organizations contributed a higher percentage of value in most measures of performance than those in other industries.

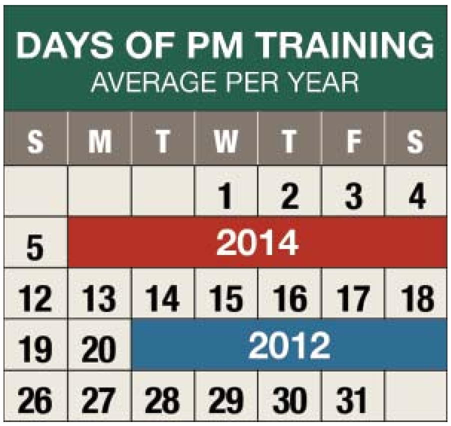
PMO CAPABILITY DEFINED

- **Level 5: Best in Class**
  Continuous improvement processes-practices used enterprisewide
- **Level 4: Strategic**
  Standard portfolio management processes-practices used enterprisewide
- **Level 3: Institutionalized**
  Standard PM processes-practices used across the enterprise
- **Level 2: Established**
  Standard PM processes-practices used consistently
- **Level 1: Basic**
  Basic PM processes-practices used inconsistently

CAPABILITY OF PMOs: 2014 & 2012



Training for the Future



HIGH PERFORMERS EMPHASIZE TRAINING

PMOs have remained steady in their focus on training; 57% of PMOs are responsible for PM training delivery, with the vast majority focusing on training in PM basics. It's interesting to note, however, that a significantly higher percentage of PMOs in high-performing organizations are responsible for training — 70%. And these PMOs place much more emphasis on leadership and business alignment training and advanced PM skill development. We believe that this focus on a broader, deeper education in project management is part of the reason these organizations deliver more value.

Over the years, we have seen that more and more PMOs in high-performing organizations are becoming responsible for training and development functions, and this trend has not significantly slowed: 82% are responsible for PM coaching and mentoring, 73% manage project managers, and 72% are responsible for PM training curriculum development and coordination.

Also worth noting is that the average number of days of training per year (6 days) is up from 2012 (5 days).

The number of PMO staffers who are PMPs has increased somewhat, from 40% in 2012 to 45% this year. PMOs in high-performing organizations have a higher percentage of PMPs (51%). They are more likely to evaluate project manager competency and have an established career path in place for project management resources. This, along with their focus on higher-order skills, gives their companies a head start now that the improving economy calls for new major initiatives.

PMOs OFFER VARIETY OF PROJECT MANAGEMENT TRAINING

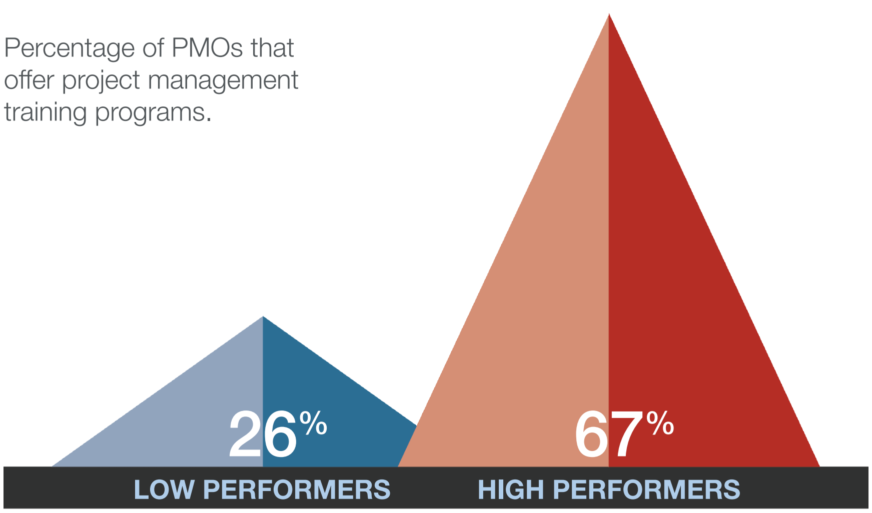
49% of organizations have a project management training program in place. This chart shows the percentage of PMOs responsible for each type of training course or program.

PMO Staffing & Development

- The size of PMOs has remained about the same since our 2007 survey. The average PMO has 8 people reporting to it (up 1 from 2012) — the range of PMO size is huge, from a 1 to 300 people.
- PMO staffs have considerable experience—10 years on average; and almost half (45%) have PMPs (up 5% from 2012).
- More than half (59%) of PMOs use contracted resources to manage project/programs. And 19% use contracted resources to manage their PMO functions. IT PMOs are more likely to use contracted resources.
- Almost half (49%) of PMOs have a project management training program in place. Organizations offer more advanced training than in 2012, particularly leadership training. PMOs in high performing organizations are far more likely to have a training program in place than low performers (67% vs 26%).
- Onsite classroom-based training is by far the most often used delivery format. The majority of PMOs (85%) offer onsite classroom-based training, and a significant number (52%) of them rely on external trainers to teach these onsite classes.
- The average number of days of training per year (6 days) is up slightly from 2012 (5 days). External-project-focused organizations offer twice as many days of training as internal-project-focused organizations (10 days vs. 5 days).
- There's a direct correlation between the capability of the PMO and whether they have established PM career paths and offer PM training. And PMOs in high-performing organizations are much more likely to have established PM career paths, offer PM training, and evaluate the competency of project managers than PMOs in low performers.

HIGH PERFORMERS MORE LIKELY TO HAVE TRAINING PROGRAMS

Percentage of PMOs that offer project management training programs.



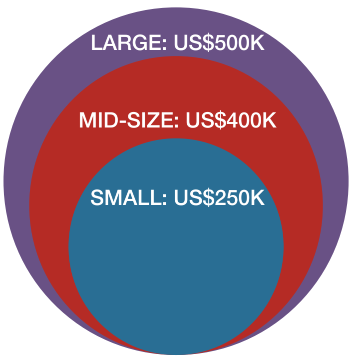
THE PMO IN 2014 AT A GLANCE

- **PMO Age: 4 years**
- **PMO Budget: US$800K**
- **PMO Budget as a Percent of Overall Project Budget: 4.4%**
- **Number of Projects/Year the PMO Works On: 60**
- **PMO Staff Size: 8**
- **Percentage of Project Managers that Report to the PMO: 49%**
- **PMOs Using Contracted Resources to Manage Projects/Programs: 59%**
- **PMOs Using Contracted Resources to Manage the PMO: 19%**
- **PMO Staff with PMPs: 45%**
- **Project Management Experience of PMO Staff: 10 years**
- **PMO Staff Training per Year: 6 days**
- **PMOs with a PM Career Path Established: 46%**
- **PMOs with PM Training Program in Place: 49%**
- **PMOs Using the PMBOK® Guide: 73%**

All responses are median averages

PMO Size, Scope, Complexity

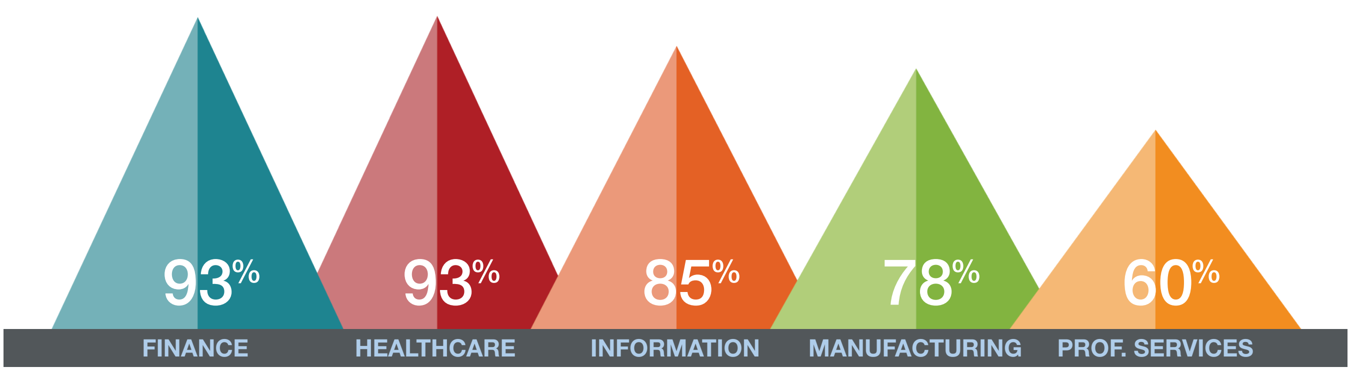
- PMOs are fairly commonplace: 80% of respondents have a PMO. And 30% of those without a PMO plan to implement one within the next year. Mid-size (88%) and large (90%) companies are far more likely to have a PMO than small companies (61%). Professional services (60%) and manufacturing (78%) are less likely to have a PMO than organizations in other industries (see chart below).
- PMOs continue to survive despite their ever-changing business environments. The average PMO is 4 years old, with 47% of them 5 years old and older (up from 34% in 2012). Most importantly, there is a direct and strong correlation between the age of the PMO and its capability and the organization's performance.
- The budget per project has gone up from 2012 (from $300K to $430K), but the number of projects an organization works on per year has gone down (from 70 to 60). Professional services firms work on significantly fewer projects than firms in other industries, and they have the lowest budget per project. Although external-project-focused PMOs work on fewer projects per year (50) than internal-project-focused firms (75), they have a significantly higher budget per project on average ($500K vs. $350K).
- With an annual PMO budget averaging US$800,000 and an annual project budget of US$18 million, the PMO budget is 4.4% of the total project budget on average.
- Most PMOs report to a VP or higher; 43% directly to the C-level.
- The percentage of project managers who report to the PMO has gone up since 2012 (from 42% to 49%). There's a direct correlation between the percentage of project managers who report to the PMO and the PMO's capability. More importantly, PMOs in high-performing organizations have significantly more project managers reporting to them than PMOs in low-performing orgs (63% vs. 36%). In 26% of organizations, 100% of project managers report to the PMO.
- Most PMOs are internal project focused (they're a cost center). Small companies and professional services companies are more likely to be external project focused.



AVERAGE BUDGET PER PROJECT

BY SIZE OF ORGANIZATION

PERCENTAGE OF FIRMS WITH A PMO, BY INDUSTRY



PMO Functions

- In general, PMOs focus on project management functions, which makes sense. As in our previous PMO surveys, implementing PM standards and policies, monitoring performance, and coaching and mentoring are the top functions performed by the PMO.
- In general, PMOs are performing more functions overall compared to our 2012 survey, especially portfolio management functions.
- A majority of PMOs do not engage in resource management functions, including resource forecasting, capacity management, demand management, and resource management process implementation.
- Fewer than half (45%) of PMOs communicate their business value to business peers. Even fewer (40%) communicate the business value of project management.
- PMOs in high-performing organizations engage in more functions than those in low-perfoming orgs. In particular, these PMOs are much more likely to engage in aligning projects with strategic objectives, portfolio governance and oversight, portfolio communications management, and portfolio risk management.
- Small organizations are more likely than large and mid-size orgs to be involved in business plan administration and less likely to engage in governance process, project policies, procedures, and template implementation/management.
- PMOs in finance firms are much more likely to perform portfolio management functions. Fewer PMOs in manufacturing firms perform project/program management functions. PMOs in healthcare organizations are much more likely to engage in managing project managers and less likely to formulate portfolio management strategy. PMOs in professional services organizations are much more likely to engage in organizational change management, portfolio risk management, skills identification, and business plan administration. And PMOs in information organizations are less likely to align projects with strategic objectives or formulate portfolio management strategies.
- Enterprise PMOs are more likely to engage in organizational strategic planning and aligning projects with strategic objectives than line of business and IT PMOs.
- Internal-project-focused PMOs are more likely to engage in the following functions than external-project-focused PMOs: portfolio governance and oversight, project interdependency management, and communicating the PMO's business value to peers. External-project-focused organizations are more likely to engage in portfolio risk management, performance measures development, and project manager training results measurement.

TOP 10 PMO FUNCTIONS

- **Project/program monitoring and controlling**
- **PM methodology, standards implementation/ management**
- **Project policies, procedures, templates implementation/ management**
- **PM coaching and mentoring**
- **Project/program initiation**
- **Project/program planning**
- **Project/program closing**
- **Multi-project coordination**
- **Portfolio tracking (performance monitoring)**
- **Alignment of projects with strategic objectives**

TOP 5 PMO CHALLENGES

1. Organizational resistance to change — 51%
2. PMO processes seen as overhead — 47%
3. Having enough time/resources to devote to strategic activities — 45%
4. Demonstrating the added value of the PMO — 43%
5. Inadequate resource management capability — 43%

PMO Challenges

- The challenges seen by the largest number of organizations are organizational resistance to change, PMO processes seen as overhead, and having enough time/resources to devote to strategic activities.
- PMOs in high-performing organizations face far fewer challenges than PMOs in low-performing orgs, especially in getting executive support and in having project managers with inadequate skills.
- In general, the greater the capability of an organization's PMO, the fewer challenges it faces.
- PMOs from healthcare organizations face significantly more challenges than those from other industries, probably due to their reported lower capability.
- IT PMOs face far more challenges than enterprise or line of business PMOs, particularly inadequate resource management capability.
- Internal-project-focused organizations face more challenges than external-project-focused organizations. In particular significantly more of them find having an inadequate resource management capability a challenge.
- The percentage of PMOs whose value has been seriously questioned by many in the organization, including possibly closing it, is up from 2012 (12% vs. 7%), showing the challenges that PMOs faced given the sluggish economic environment over the past two years.
- Questioning the value of the PMO, including possibly closing the it, is highest in small organizations (18%), professional services organizations (16%), line of business PMOs (16%), and external-project-focused organizations (18%).
- Almost no PMOs in high-performing organizations (1%) have many people in their organizations questioning the PMO's value; 26% of PMOs in low-performing orgs, however, are questioned by many in their organizations.

TOP 5 PMO PRIORITIES OVER THE NEXT 12 MONTHS

1. Implement resource planning and forecasting process — 58%
2. Implement / enhance reporting, analytics, dashboard tools — 57%
3. Implement / enhance core PM processes — 57%
4. Implement / enhance portfolio management process — 55%
5. Implement / enhance governance process — 54%

The Outlook for PMOs

What does the future hold? Based on the trends identified by comparing the 2014 results with previous years and looking at the differences between PMOs in high-performing organizations and low performers, PM Solutions Research projects that:

- PMOs will morph into what we call the disruptive PMO. With organizations demanding increasing value, PMOs will need to focus more and more on strategy, innovation, agility, and stakeholder engagement. And, in particular, developing expertise in organizational change management will be essential to their success.
- PMO leaders will continue to build better relationships with executive management by refining the value proposition of the PMO and demonstrating strategic business results.
- PM training will remain steady, with PMOs continuing their focus on project management basics but offering more advanced leadership and business alignment training.
- More and more PMOs will add portfolio management functions to their arsenal of practices, participating actively in their organization's strategic initiatives, not only in their delivery but in their planning as well.
- The percentage of project managers who report to the PMO will continue to increase, leading to a more consistent and effective application of project and program management best practices.
- PMOs will continue to address resource management challenges, which have plagued PMOs since we've been researching them.

PMO VALUE DELIVERED

31% Improvement in customer satisfaction

PMO VALUE DELIVERED

28% Improvement in projects delivered under budget

PMO VALUE DELIVERED

18% Improvement in productivity

About PM Solutions

PM Solutions is a project management services firm helping organizations apply project management and PMO practices to improve business performance. We are the leader in applying project and portfolio management processes and practices to drive operational efficiency for our clients.

Founded in 1996 by J. Kent Crawford, PMP, the former president and chair of the Project Management Institute (PMI®), PM Solutions delivers expert project management solutions and services to help organizations and their people perform to maximum potential. Comprehensive offerings include:

- PMO transformation
- Project portfolio management process improvement
- Program and project management resources
- Corporate training and competency development delivered through our training division, PM College®

PM Solutions' PMO Practice

For nearly 20 years, PM Solutions has been well-known as a leader in PMO design and practice, bringing its clients the expertise and tools needed to help create and sustain a value-driven PMO. We regularly work with clients to deploy a new PMO, operate a PMO, or optimize and enhance an existing PMO to meet a set of evolving challenges, functions, and services. Our processes are scalable and fit PMOs at any level of the organization (enterprise, divisional, departmental, etc.) at any level of PMO maturity.

PM Solutions' highly experienced consultants (15 years on average) have deployed and actively managed PMOs for both commercial and government organizations. We've worked in most industries, including manufacturing, IT, financial services, and healthcare.

PMO structure and process are only part of the overall picture. It takes people to adapt to the cultural shifts that result and embrace PMO operations. Because we have our own training division, the PM College, we incorporate training, professional development, mentoring, and coaching, which are integral parts of making a PMO "stick" and become a valued organizational entity to the business.

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