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The power of the PMO

Key Highlights

#1   Expectations on ROI are rising, more stakeholders are involved and tools & processes need to be streamlined and well implemented.

#2   The main challenges are: lack of harmonisation between projects and strategy, recruiting skilled people, using adequate tools & methodologies, and implementing a good change & communication strategy.

#3   Companies should implement an EPMO to have 38% more projects meeting the initial objectives.

#4   PMO is popular, leading to a better ROI, cost reduction, efficiency increase, and improve the time and budget spent on your projects

#5   Avertim can support your organisation to implement or enhance a PMO by using our multi-step PMO approach.

Content

01
Introduction

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Are your projects becoming increasingly complex? Are they failing or being shelved without project managers understanding why?

In today's dynamic business environment, organisations face many challenges in achieving project success. Harmonising projects with business strategy, recruiting skilled people, using the right tools and methodologies, and communicating change are some of the key challenges today. But there is a solution: the Project Management Office (PMO).

This white paper will help you navigate the complexities of modern project management by detailing its key challenges and demonstrating how you can use the power of a PMO to overcome and prevent these hurdles. Gain insight into the key roles and responsibilities that contribute to an effective Project Management Office, and explore the business benefits and growing popularity of PMOs.

Finally, this white paper will outline Avertim's approach and best practices for implementing or enhancing a PMO, supported by a reference case.

<p style="text-align:center">02</p>

Why do you need a PMO today?

Over the years, Avertim has noticed that portfolio, programme, and project management has become more complex to manage. Avertim believes that there are three reasons for this:

Increment of stakeholders

There is a general trend to increase the number of stakeholders within programmes and projects. There can be several reasons for this increase. For instance, a cross-departmental project will increase the number of stakeholders instantly. More recent examples are digitalisation projects: where previously business and technical projects were managed in silos, these are now split and both business and technical departments need to work together more closely.

Other reasons for this increase in stakeholders involved may be that there are more people on the customer or supplier side, and that companies often outsource their activities. This adds complexity to the project stakeholder group. If a project is politically sensitive or highly visible, the number of stakeholders also increases significantly.

Increment of ROI expectations

Expectations of return on investment (ROI) are rising, making results more important.

Importance of tools and processes

Technology tools, infrastructure, and processes have become critical. If the project team does not understand the technology or does not know how to use the tools presented, this can add extra complexity to the project.

In addition, when Avertim implements or enhances a PMO for its clients, it often finds that companies lack a standardised methodology for project support, governance to keep an eye on the project prioritisation and a central role to ensure that the chosen methodologies are adhered to. Because of this changing project and project management environment, we - at Avertim - believe that also the general approach to PMO needs to change.
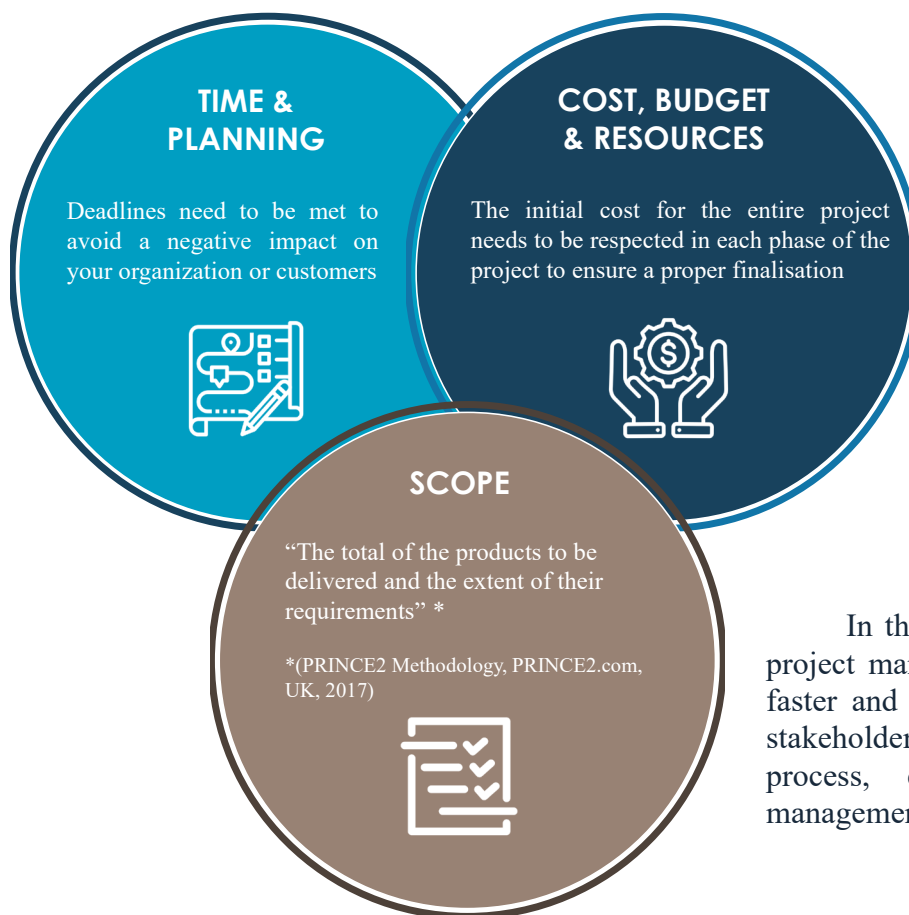
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1

Why companies struggle with successfull Project Management Office

To recognize the type of issues companies without or with poor PMO face, it is important to understand the basics of Project Management and more specifically, how the performance of a project can be measured.

There are multiple project management methodologies and ways to measure project performance. In general, project performance can be assessed via three criteria:

TIME & PLANNING

Deadlines need to be met to avoid a negative impact on your organization or customers

COST, BUDGET & RESOURCES

The initial cost for the entire project needs to be respected in each phase of the project to ensure a proper finalisation

SCOPE

"The total of the products to be delivered and the extent of their requirements" *

*(PRINCE2 Methodology, PRINCE2.com, UK, 2017)

The profitability of a project is the direct consequence of these three Key Performance Indicators (KPIs). A good project manager (PM) is not just one who meets these targets. An effective project manager adheres to the agreements made for these KPIs and, in addition, strives to complete the project faster or within a smaller budget.

In this case, a PMO can support project managers by making decisions faster and by reducing the number of stakeholders in the decision-making process, e.g., by consulting top management only when necessary.

This can be illustrated by the following example: One of the clients that Avertim supported in improving its PMO was struggling with prioritising and digitalising its projects. Several IT projects were needed at the same time and the client did not know how to prioritise them, calculate the right costs, and allocate resources. This was due to the lack of a standardised communication or process for the top management to inform the PMO of the business priorities.

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Today's main challenges to cope with

Companies may also struggle to deliver projects for other reasons. Research into why projects tend to fail can be divided into the following categories: harmonisation, people, tools & processes, and change & communication.

Harmoni-sation

Tools & Processes

People

Change & Comms

Lack of harmonisation

Lack of harmonisation between multiple projects is one of the most common problems for an organisation without a PMO. Yet it is necessary to harmonise the management of the project portfolio (all projects within an organisation) in order to achieve the best results. The lack of harmonisation has an impact on the course of internal and cross-functional projects, transformation programmes, project prioritisation and resource management. For some of Avertim's clients, not having a harmonisation between strategy and projects has led to projects being put on hold or even cancelled, leaving project managers with question marks as to why the project was stopped. Implementing good harmonisation can prevent this from happening.

A project can be fruitless if the project team does not have the appropriate tools, processes or methodologies needed to perform. For example, a project is more likely to break down faster if a particular project management methodology is used inconsistently. A project can also be derailed more quickly if insufficient requirements are gathered, if the criteria to be measured are unknown, or if no tools are used to measure them. For example, one of Avertim's clients did not have a clearly defined methodology for a long-term project. This resulted in the various workstream leads implementing their own methodologies, such as Prince 2, or not using any at all, leading to inconsistencies in the project and confusion amongst the various stakeholders.

Tools and processes

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People

In terms of people, projects seem to be more likely to fail if project members are not sufficiently skilled, if roles and responsibilities are not clearly defined or, more importantly, when the project manager is not successful in motivating the project team.

A PMO also has a change management and communication role. It should communicate about the link between the management strategy and the project (with implications for change management). For example, a PMO should communicate to the different stakeholders any change in the project's objective or in the organisation's priorities.

The PMO should also raise awareness and visibility of the actions to be taken, and the tools and templates to be used by the project managers.

If a PMO does not take on this change management and communication role, project managers will not be aware of the objectives of the projects within their program; they will thus not understand why their project is being put on hold – if this happens - and will be less likely to use the templates provided by the PMO.

Change & Communication

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03
Introducing the Project Management Office Solution

A Project Management Office (PMO) is usually an internal or external department or service consisting of a team of experts working at an organisational level. On average, a PMO consists of 9 people. However, a study by PM Solutions found that high performing PMOs tend to have more staff than low performers and in most cases (83%) a PMO is headed by a PMO director or manager (PM Solutions, 2022). The latter suggests that PMOs anno 2022 were operating as an actual department.

Ideally, a Project Management Office is a combination of people, processes, and tools. It is concerned with defining and standardising the project management process, the common tasks

> **It defines & standardises the process of project management**

necessary to deliver a project and monitoring best practice. In addition, a PMO is a source of documents and references relating to the organisation's project management strategy. It also documents the status of projects and ensures that they are delivered on time, preferably with the expected quality and within the scope and the budget.
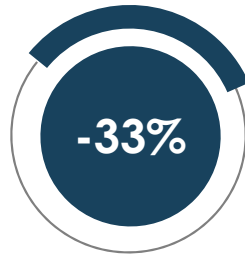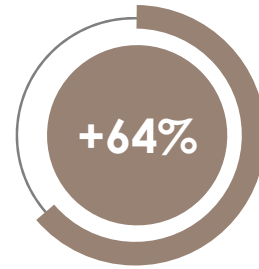
People

Processes

Tools

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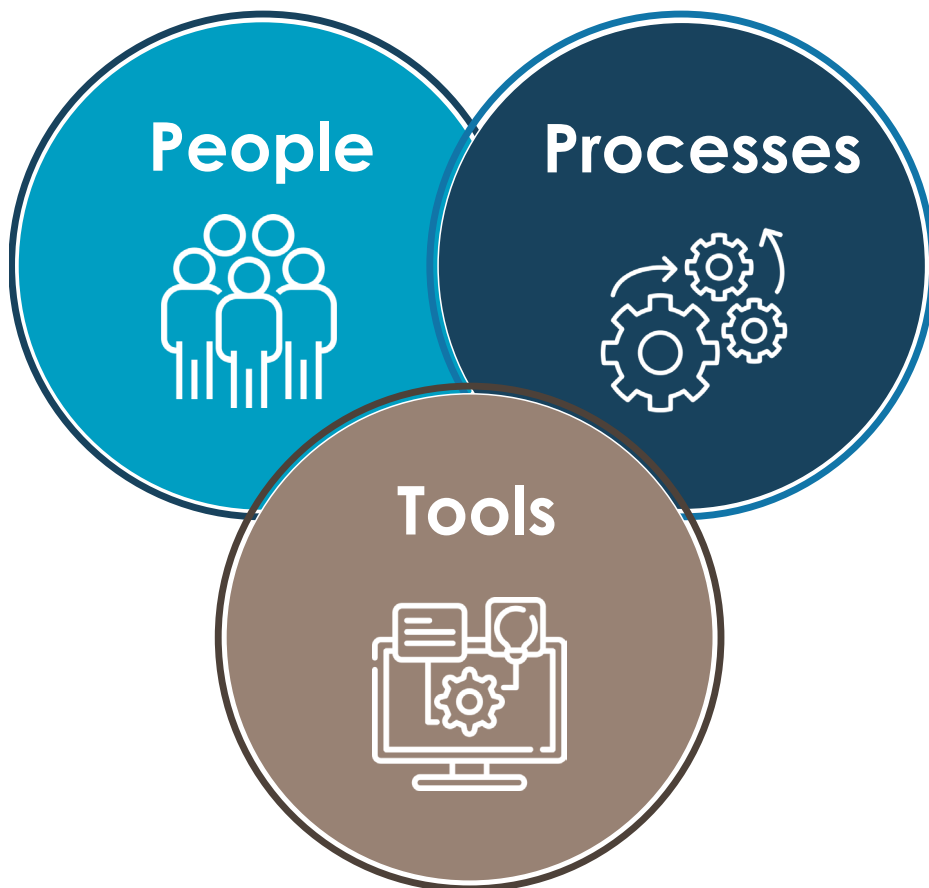
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Roles and responsibilities of a successful PMO

+38%

Projects meeting Goals

-33%

Less projects failed

+64%

Improvement of PMO projects aligned with business

While successful PMOs have many elements in common, there is no standardised approach to follow. Nonetheless, there are some **fundamental elements for a PMO to be successful**:
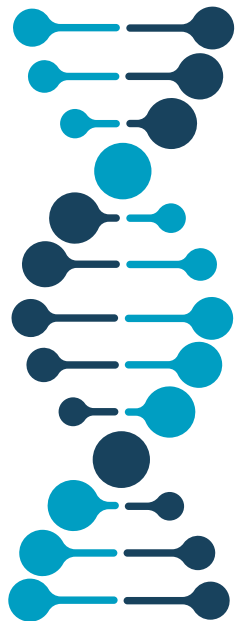
Integration

The PMO must be well integrated within the organisation.

Collaboration

The PMO should enable good collaboration between project managers and stakeholders from the departments involved.

In addition to these key elements, it is the PMO's responsibility to provide a governance framework. It can provide a governance framework by prioritising projects, managing project resources, setting the overall time and budget for the projects within the organisation or department. This can be done by ensuring that the projects selected for execution are aligned with the strategy and the goals of the organisation.

In this context, it may be interesting to install an Enterprise Project Management Office (EPMO) instead of a normal PMO, since an EPMO operates at an even more strategic level and works more closely with the executive team. According to a survey by the Project Management Institution (PMI), companies that set up an EPMO and align with the company's strategy report that they have 38% more projects that meet their initial objectives. They also report a 33% reduction in project failures. PM Solutions (2022) also reports that in the last 24 months there has been a 64% improvement in general PMOs aligning projects with business objectives.

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In addition to implementing a governance framework, a PMO regularly communicates and trains stakeholders, including project managers, on best practices. It also provides information on KPIs, the project metrics used in the organisation, the overall project culture, and the lessons learned from previous projects.

Finally, a PMO provides project teams with the tools chosen by the organisation, from brainstorming tools to project management tools and customised templates.

2
How PMO will increase business value

Now that you know what a PMO is, here is why you should implement it in your organisation.

Focus on outcomes & benefits

A PMO will develop a strong focus on results and benefits to prioritise programme investment based on **return of investment (ROI)**.

Increase business alignment

Since a PMO understands the strategy and objectives of the company, and often works closely with senior management, it can **strengthen the alignment** between the corporate strategy and the project portfolio based on expected outcomes.

Enhance visibility & ease governance

Implementing a successful PMO **will increase visibility** and **facilitate governance**.

Identify best practices

Best practices are identified and communicated to all stakeholders – such as project managers & project support -, helping to develop a high performing and empowered team.

Drive value & efficiency

A PMO adds more value and **increases efficiency**.

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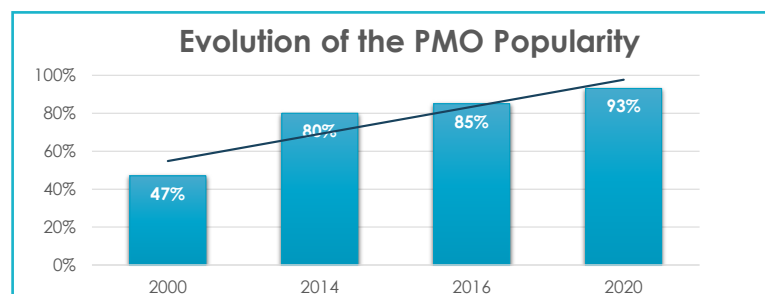
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The PMO popularity

Expectations of a PMO within an organisation have evolved over the last years. Due expected future developments and the complexity of business requirements, organisations need a PMO to deliver projects on time and within budget.

Reason 1

PMOs contribute to the identification, escalation, and resolution of business problems, and are therefore more popular than ever: in order to achieve a better return on investment, organisations are setting up PMOs to cut cost, boost efficiency and improve project delivery in terms of time and budget.

According to the State of the PMO Research Reports (2014, 2016, 2020), issued before the COVID pandemic, 47% of organisations had a PMO in 2000. By 2014, this had almost doubled to 80%. In 2016, the number of companies with a PMO increased to 85%, and by 2020, 93% of large organisations had a PMO. Furthermore, by 2020, even 95% of companies with revenues over 1 billion dollars had a PMO and only 9.9% of firms did not have a PMO at all.

Evolution of the PMO Popularity

The PMO also appears to be popular as it delivers better value across many disciplines by improving outcomes and increasing the probability of achieving long-term success. As such, a PMO can improve customer satisfaction, deliver projects within budget and increase overall productivity.

The number of PMOs is multiplying every day for obvious reasons. They add value wherever needed by supporting companies to deliver projects, increasing productivity, reducing costs, and improving customer satisfaction.

Reason 2

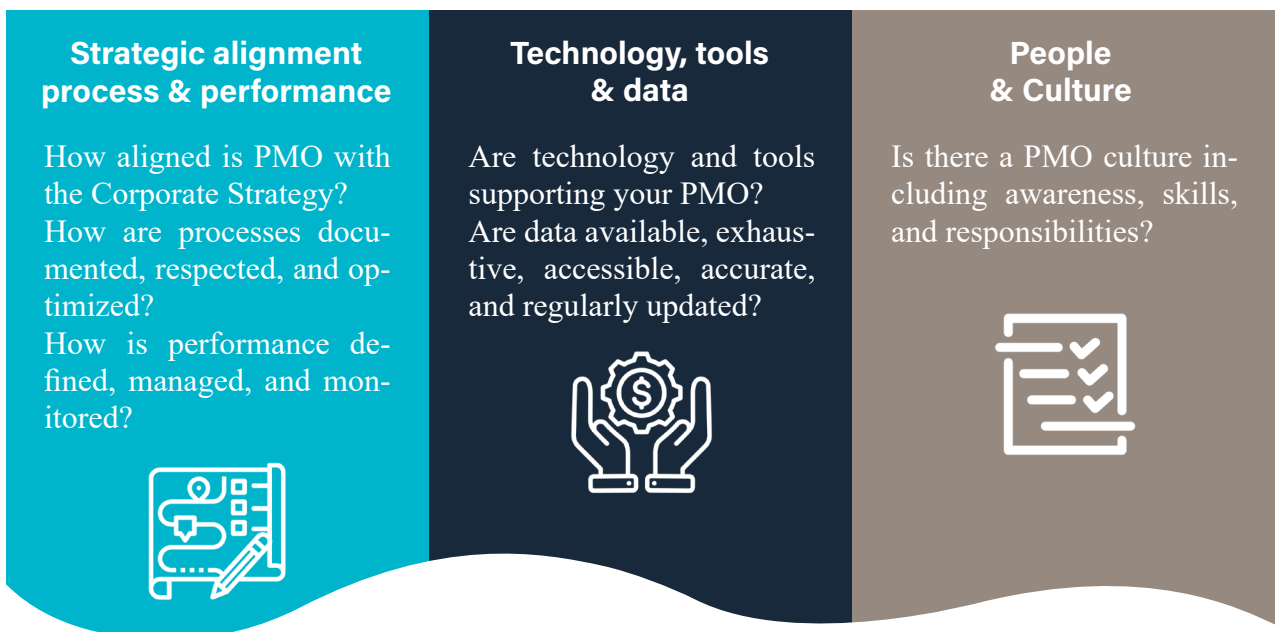PMOs are becoming increasingly popular, but that does not mean there aren't drawbacks. A PMO can also come at a price: it means less freedom for the project managers within the organisation, more administrative work, and the need to align stakeholders. To avoid these drawbacks, it is extremely important to implement and manage a PMO well: change management and good communication will be essential.

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04
How to implement a future-proof PMO

Avertim has developed its own PMO approach to help organisations implement PMO, prioritise the project portfolio, select the right PMO tools and ensure the organisation is future-proofed to deal with programme or project management challenges.

To provide the best possible solution to the problems faced by companies with no or poor PMO, Avertim's approach is based on 3 pillars and 8 key functions:

Strategic alignment process & performance

How aligned is PMO with the Corporate Strategy?
How are processes documented, respected, and optimized?
How is performance defined, managed, and monitored?

Technology, tools & data

Are technology and tools supporting your PMO?
Are data available, exhaustive, accessible, accurate, and regularly updated?

People & Culture

Is there a PMO culture including awareness, skills, and responsibilities?

- Governance
- Prioritisation
- Risk & Issue Management
- Reporting
- Support & Coaching
- Change Management & Comms
- Best Practices
- Tools & Processes

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Incremental solution

> **Avertim developed an incremental approach with big steps.**

Implementing a PMO or improving an existing one will not happen overnight. Avertim has learnt that it is best to go step by step. That is why it has developed a multi-step approach.

First, Avertim consultants start with a Maturity Assessment (an As-Is Assessment), a survey based on the 3 pillars and 7 of the 8 key functions of Avertim, which gives 21 criteria to evaluate. The aim of the assessment is to understand where the client is in terms of managing their PMO - even if they do not officially have a PMO department. After all, some elements may already be in place.

Secondly, once the assessment is complete, there will be an on-site visit and interview to understand your organisation's priorities, vision, and ambitions. Together with the Avertim team, you can decide which of the following two cases your company falls into:

Company with a PMO

If your company has already implemented a PMO, after the Maturity Assessment and keeping in mind your company's vision, Avertim consultant(s) will suggest quick wins and long-term structural changes to create a functioning PMO.

Company without a PMO

In the event that your company wishes to implement a PMO from scratch, the next step will be reviewing your current reporting data. Then, the consultant(s) will help you to establish a governance structure, reusability, delivery support and traceability.

Based on the 5 elements of how a PMO can increase the value of your business, Avertim has created the following key functions:

Prioritisation

Project prioritisation is about delivering the highest possible value through programmes and/or projects. Criteria used to define value for your organisation can include ROI, NPV or payback period (financial); alignment with business strategy or customer satisfaction (strategic); scope certainty (project readiness). It is important to note that "delivering the highest possible value" will have a different meaning, depending on your organisation or department. To help you prioritise your projects, Avertim offers its standard approach and several comprehensive tools.

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The Avertim PMO establishes a project governance framework to ensure a structured approach to project management. It will provide a strategy for the organisation to "do the right things" and "do things right".

It involves different people such as team members, project managers, and project sponsors. All stakeholders have clearly defined roles, responsibilities, and decision-making authority.

Clear governance ensures that the right people have access to the right information to make the best possible decisions, that resources are used in the most efficient way, that projects are on time and within budget, and that there is an ongoing risk assessment and mitigation across all projects.

A PMO defines and maintains standards, tools and processes for project, programme and portfolio management. It therefore serves as a source of documentation, guidance and metrics to measure best practice within an organisation. Avertim believes that a well established Project Management Office is a strategic asset in the decision-making.

Governance

Reporting

Through reporting, another key responsibility, the PMO brings stakeholders together on a regular basis. To do this efficiently, they create an adequate process to consolidate the data used and to create a set of standards the reports have to comply with. In addition, Avertim advises the implementation of dashboards to ensure clear visibility for the project board, senior management, or the client. The benefits are numerous: it saves time as dashboards automatically generate data at any time, it offers a good overall view of business performance, and it enables alignment and decision-making. The type of tools used for a dashboard will depend on the specific needs of the business.

Risk and Issue Management consists of process planning, identifying issues or risks, analysing them, implementing mitigation actions, and monitoring them closely. As an organisation, and especially as a project manager, it is extremely important to track issues and risks to ensure anticipation and avoid delays, or even project failure. Avertim can further assist by providing a risk log and a dashboard as well as an overview of risk scoring standards.

Risk & Issue Management

Support & Coaching

The next step is to think about how your organisation supports its project managers and what skills they need. You can then provide ad hoc support where needed, such as knowledge sharing, and work with the HR department to develop a training program.

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There are a number of best practices for a PMO, such as building the right PMO team with a mix of knowledge and skills, focusing on high-impact and high-visibility initiatives to immediately demonstrate the value of the PMO, or ensuring that the PMO is aligned with the business strategy and reports on what really matters to the business.

Best Practices

It is essential to apply a change management and communication strategy throughout the PMO implementation process and to continuously communicate within the organisation and its departments about the PMO office and its benefits to create awareness. In this way, the implementation of a PMO has the best chance of long-term success. In addition, the PMO should communicate requirements to the PM and vice versa to raise awareness of project management practices and tools.

When implementing the communication and change strategy, make sure that you create a communication plan. And for each communication, think about who is communicating, what is the actual content of the communication, what is the reason for the change, and what tools will you use to communicate.

Change Management & Comms

Avertim can provide an overview of tools and advise on which ones to use, depending on your organisation's needs, size, and strategy.

Tools & Processes

2
We share our knowledge

To ensure that Avertim's PMO expertise is kept up to date and shared within the company, it has created an internal center of excellence, called 3PM Practice. The 3PM Practice stands for Project, Programme and Portfolio Management, including the Project Management Office.

The practice aims to leverage and share knowledge, skills, tools, and methodologies among Avertim employees and consultants. In this way, Avertim consultants are aware of new trends and methodologies related to the PMO sector and can create tailored, concrete and referenced offers for its clients.

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Reference Case:
PMO within an Energy Company

Avertim advised a client in the energy sector to improve its existing Project Management Office, which was not centralised. The client was struggling with **project prioritisation** and **digitalisation**. In addition, each project in the company was **managed differently** depending on who the project manager was. Consolidating all project information, e.g. for reporting purposes, was therefore very challenging.

From the 8 key functions that Avertim focuses on, the Avertim team identified 5 functions (Prioritisation, Risk & Issue Management, Reporting, Communication and Tools & Processes) with room for improvement. To advise on each function, the consultants relied on the 3 pillars of the Avertim methodology: Strategic Alignment & Processes, Tools, and People & Culture.

To improve **prioritisation**, Avertim recommended aligning the organisation's strategy and projects through harmonisation. In practice, this meant increasing communication on strategy and priorities between management and the PMO to support them in prioritizing projects. It also meant that the PMO had to continue to communicate the strategy to the project managers, so that they understood why certain changes in projects or scope were taking place.

> " **Harmonisation between strategy and projects is key.**

The next step was to evaluate the PMO and **project management tools**. The project managers and program levels were all mainly reporting through an Excel template. Initially, , this was the right tool for them when the company was founded, but as the company grew and different levels had different reporting requirements, this particular Excel template was no longer the right one. Each time there was a new requirement, the macros in the Excel had to be adjusted, which was very time consuming and inefficient. As a result, Avertim advised the client to take a step back, to simplify its PMO tools and, most importantly, to assess and consider the needs of all stakeholders before creating new templates. Overcoming these challenges also made managing and reporting risks and issues much more straightforward.

Finally, the **overall communication** from the PMO itself needed to be improved. With the creation of templates and the introduction of a new tool, Avertim recommended to always communicate the reason, the importance, and the impact of a new tool to all stakeholders - especially to the senior management and project managers. This also required the development of a change management approach to ensure a sufficient level of buy-in for the project.

05
Conclusion

Implementing, or improving a PMO can bring tremendous business benefits to your organisation: maintaining oversight of your company's projects, aligning projects with business strategy, providing ad-hoc visibility of data and reporting to stakeholders, reducing resource costs, and providing project managers with best practice so that time is not wasted.

In this white paper Avertim explored the Project Management Office by explaining its function, roles, and responsibilities, as well as its growing popularity. Avertim also investigated why companies often struggle to build such a successful Project Management Office. Furthermore, Avertim's approach shows how to achieve a successful and effective Project Management Office.

30% of companies without a PMO plan to implement one in the coming year.
What about yours?

Find out more about how Avertim can help your organisation create impactful projects. If you are experiencing difficulties in implementing or shaping a Project Management Office in your organisation, please contact us via our website.

Contact us

Authors

This article is a collaborative effort of several people at Avertim for the 3PM Practice (Project, Programme and Portfolio (and PMO) Practice).

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