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## ADOPTING PROJECT MANAGEMENT OFFICES TO EXPLOIT THE TRUE BENEFITS OF PROJECT MANAGEMENT

### Abstract

In today's highly competitive business environment, organizations need to stay alert and act in a fast and efficient manner. Many organizations have discovered project management as a valuable asset for successful organization, enabling them to respond timely to the changes in the environment and to plan and organize resources to achieve the envisaged outcome. Given the need for a consistent project methodology many organizations have deployed a focused Project Management Office (PMO) as coordination body of the project management flow and advocate for project management.

The goal of this paper is to demonstrate that adopting PMOs would ensure true guidance and support in the project management roadmap and true utilization of the benefits of project management. In this regard, this paper makes a direct correlation between the success criteria identified for projects and the contribution of the PMOs. Furthermore, it exploits the responsibilities of PMOs and how these responsibilities support the projects' successful execution. Finally, giving insight into PMOs as a trending practice among the organizations nowadays, this paper attempts to examine the strategic possibilities as well as the benefits these organizations have witnessed from adopting PMOs as a precondition for successful project execution.

**Keywords:** *project, project management, project management office, PMO, project methodology, project management benefits*

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## **Introduction**

Working today has proven that everything changes and everything changes really fast. In that manner, successful organizations are those that think proactively, anticipate changes and adjust their strategies on the new conditions. Every organization that wants to attain a sustainable competitive advantage on the market must pay special attention to the advances in the technology and introduce innovations in their work.

Many organizations have discovered project management as a practice for conducting work in the organization, innovations and/or changes such as new or revised products, new or modified premises, new or adapted technology etc. In these regards, projects try to deliver work initiatives on time, within budget and to an agreed level of quality as they are being defined within the triangle of scope, time and budget.

However, project success rates have been diverse. This paper, by exploring the concept of project management and by viewing and analyzing reasons for project success as well as project failure, tries to demonstrate that adopting PMOs would ensure true guidance and support in the project management roadmap and true utilization of the benefits of project management as a contributor of project success.

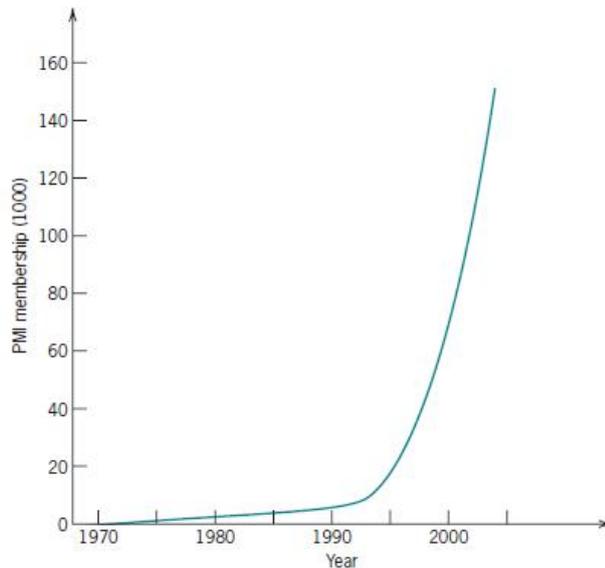
In that manner this paper also extracts the benefits of an implemented PMO and makes a direct correlation between the success criteria identified for projects and the contribution of the PMOs both as an enhancer of the success factors in projects as well as a coordination body that helps diminish the reasons for project failure.

### **1. Projects and project management**

Projects have been around for long time. Building of the pyramids, building of the Eifel tower, sending astronaut Neil Armstrong on the moon as well as many other monumental buildings and moments of the past have the characteristics of projects and project management. However, from those times, organizations have come to realize that many of the work they do is indeed project oriented. In last decade project management has been rather formalized into a professional approach for achieving the undertaken tasks and planned work initiatives.

One of the major international organizations dedicated to this professionalization is the Project Management Institute<sup>1</sup>, established in 1969. By 1990, the PMI had gained 7,500 members. Five years later, it had grown to over 17,000, and by the end of 2007 it had exploded to over 260,000 members in more than 171 countries. This growth is demonstrated in Figure 1.

**Figure 1: PMI growth**



Source: Meredith J.R. and Mantel S. J. Jr. (2009): “Project Management, A Managerial Approach”, 7th edition, John Wiley and Sons, Inc. USA, p.5

### **1.1. Definitions of project and project management**

The PMI has defined a project as a “temporary endeavor undertaken to create a unique product or service”<sup>2</sup>. According to Haynes M.E., a project is an „undertaking that has a beginning and an end, and is carried out to meet established goals within cost, schedule and quality objectives“. He defines project management as a „management approach that brings together and optimazies the resources necessary to

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<sup>1</sup> PMI, at [www.pmi.org](http://www.pmi.org), (07.02.2013)

<sup>2</sup> PMI (Project Management Institute) (2004), “A Guide to the Project Management Body of Knowledge”, 3<sup>rd</sup> ed., PA: Newtown Square. p.5

successfully complete the project, with resources including skills, talents, and cooperative efforts of a team of people, facilities, tools and equipment, information systems, techniques and money“.<sup>3</sup> Also, Richman L. defines project management as „combination of the knoweldge, skills, methods, techniques and tools used to plan and manage project work establishing a sound basis for effective planning, scheduling, resourcing, decision making, management and plan revision“.<sup>4</sup>

From this, it can be concluded that projects are temporary activities. They are goal oriented, complex, risky and dynamic. Projects are always defined within the triangle of scope, time and budget. Having defined the projects, project management is about the application of knoweldge, skills, tools and techniques to project activities to meet the project requirements.

## 1.2. Project success rate

One of the most commonly used reports regarding project failure was the CHAOS Report<sup>5</sup>. The results from this report take into consideration 365 companies with a total of 8380 Information System applications under development. The results from the report conclude:

“*Project Success*” – Projects completed on time and on budget with all features and functions as specified. Only 16.2% of projects were classified under this category.

“*Project Challenged*” – Projects completed, but either over cost, over time and/or lacking some of the features and functions originally specified. 52.7% of projects were classified under this category.

“*Project Impaired/Failed*” – Projects that were abandoned or canceled at some point. 31.1 % of the projects were classified under this category.

However, project success has improved significantly. According to Johnson the success rate in projects has increased since the CHAOS Report. According to this report, the overall project success rate has

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<sup>3</sup> Haynes, M.E. (2002), “*Project Management, practical tool for success*”, 3<sup>rd</sup> ed., Menlo Park: Crisp Publications, Inc., p.3

<sup>4</sup> Richman, L. (2011), “*Successful Project Management*”, 3<sup>rd</sup> ed., USA, NY: American Management Association., p.2

<sup>5</sup> The CHAOS Report (1994), The Standish Group, [http://www.standishgroup.com/sample\_research/chaos\_1994\_1.php] (05.01.2013).

increased from 16% in 1994 to 28% in 2000<sup>6</sup>. The final statistics for project success rate from the PMI's survey - the Standard for Portfolio Management - shows that 64% of projects successfully met their original goals and business intent in 2011<sup>7</sup>. That leaves one third of the organizations in the category of unsuccessful projects. The trend of the surveys demonstrated a positive increase in the percentage of successful projects, from 16.2 % in 1994, through 28 % in 2001, to 64 % in 2011. Regardless of measurement semantics, the core of the issue is to determine the reasons for improvements in the project success rate as well as to determine the reasons for project failure and how it can be avoided.

### 1.3. Reasons for project success

Many writers have listed various reasons for failure in projects. Field has acknowledged how projects fail too often because the project scope is not fully appreciated and/or the user needs are not fully understood<sup>8</sup>. Hoffman believes that it is the project managers and their losing of the big picture view that drives project failure; in that manner he says how project managers too often act as process cops and report compilers and lose sight of what they are supposed to be doing – to make sure projects are running effectively<sup>9</sup>.

The results of the research paper by Anil and Thomasson<sup>10</sup>, states that the project success is inferred in the following three variables that have the greatest impact on the performance of project:

1. *Good planning* – detailed forward planning of the implementation stages, task timelines as well as re-planning as

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<sup>6</sup> Johnson, J. (2001), "*Collaborating on Project Success*"

[<http://www.suttonsoft.com/documents/70percentfailure.pdf>] (22.10.2013).

<sup>7</sup> PMI (Project Management Institute) (2011), "*The Standard for Portfolio Management*", 2<sup>nd</sup> ed., USA: PMI Publications.

<sup>8</sup> Field, T. (1997), "When bad things happen to good projects", CIO magazine, 11(2), 54-60.

<sup>9</sup> Hoffman, Th. "*Value of Project Management Offices Questioned*", Computerworld, July 21, 2003, [<http://www.computerworld.com/printthis/2003.0,4814,82345,00.html>] (11.7.2013).

<sup>10</sup> Anil, I. and Thomasson, D. (1991), "An Empirical Investigation of the use of Content Analysis to Define the Variables Most Prevalent in Project Successes and Failures", Proceedings of the 1991 PMI Annual Seminar/Symposium.

an iterative process that requires agile rethinking according to the changes imposed.

2. *Clear responsibility and accountability* – clear understanding of the team members of their roles and duties in a project.
3. *Schedule control* – continual monitoring and measurement of time, milestones, people and equipment schedule.

A more recent survey on this topic, the survey conducted by the PMI, Pulse of the profession<sup>11</sup>, found the most critical project success factors to include:

- > *Talent*: Staffing the team with appropriate skilled people.
- > *Project Management Basics*: Taking the time to create a realistic implementation plan.
- > *Executive Sponsorship*: Ensuring top-level management support for the project.
- > *Focus on benefits*: Clearly defining the expected benefits from the project.
- > *Change Management*: Effectively managing change associated with the project.

All these claims are true and correct and this paper uses both lists of indicators for project success intended as an input for the correlation between success factors in projects and PMO in regards that the PMO can directly impact these success factors and thus contribute to an increase in the percentage of project success. In the next section these reasons are seen through the perspective of PMOs and how their involvement contributes to successful project execution.

## 2. Adoption of the concept Project Management Office

As project management has evolved and received a widespread recognition and adoption so has the need for an organizational entity that will support the project management process and the project managers in their project activities, and will coordinate all the projects towards the organization's strategy roadmap. Such organization body is the Project Management Office (PMO), which performs in a capacity that achieves project management oversight, control and support.

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<sup>11</sup> PMI (Project Management Institute) (2012), "*Pulse of the Profession*", [http://www.pmi.org/~media/PDF/Research/2012\_Pulse\_of\_the\_profession.ashx] (22.10.2013).

In this regards, Hill acknowledges how the PMO helps both the project manager and the relevant organization to understand and apply professional practices of project management and adapt and integrate business interests into the project management efforts which it is associated with<sup>12</sup>.

PMOs trace their origins back to the Project Support Offices (PSOs) that cropped up in the 1960's to help large, complex aerospace and construction projects. As automated support tools such as the original Artemis scheduling application started to appear and become more widespread, the direction of PMOs changed to include tools support to project managers. The emphasis changed again during the 1990s to include coordination among multiple projects to ensure consistency in PM practices and quantitative portfolio management. While individual projects may have specific PSOs depending on the project's size and complexity, more often now the enterprise's PMO provides support across a variety of projects that the organization is involved in<sup>13</sup>.

### **2.1. Definition and forms of Project Management Offices (PMOs)**

The PMO can be defined as an organization that can maximize the value of project management by standardizing the practices and consolidating the initiatives across the enterprise<sup>14</sup>. Another definition expresses PMO as an organizational body or entity assigned to various responsibilities related to the centralized and coordinated management of those projects under its domain. The responsibilities of a PMO can range from providing project management support functions to actually being responsible for the direct management of a project<sup>15</sup>.

As every organization is different, there can be different structures of a PMOs according to the requirements as well as the current settlement of the organization. Therefore, matching the right project office structure with the individuality of the organization is critical for success.

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<sup>12</sup> Hill, G.M., 2007, *"The Complete PMO handbook"*, Auebach Publications, p. vii.

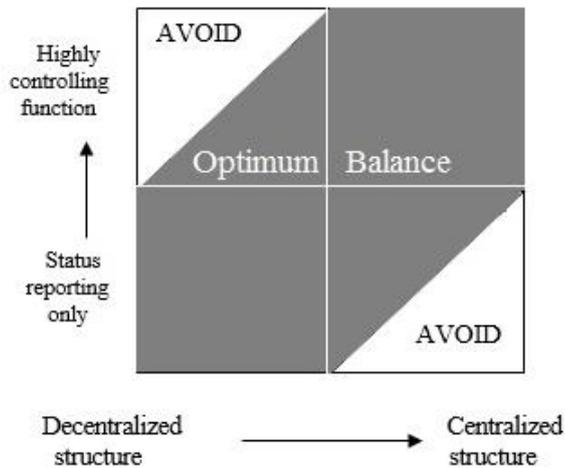
<sup>13</sup> Parth, F.R. (2012), *"Implementing a PMO within Toyota Financial Services"*, USA [http://www.projectauditors.com/Papers/Singapore/ToyotaPMO.html] (12.02.2013).

<sup>14</sup> Maghraby, R.A. (2011), "How to establish a PMO", *PM World Today*, 13(10), 1-5.

<sup>15</sup> PMI (Project Management Institute) (2008), *"A Guide to the Project Management Body of Knowledge"*, PMBOK Guide, 4<sup>th</sup> ed, ANSI: 2008:1.

Figure 2 shows the spectrum of options for a PMO from a decentralized to a centralized structure and from a PMO only for status reporting to a PMO with highly controlling function.

**Figure 2: PMO Structure**



Source: Colegiate Project, 2007

Hence, in a decentralized structure, the PMO provides a valuable reporting service for project status data. Mainly in a decentralized structure the PMOs have the advisory role for project management methodology standards and for project issue resolution. Furthermore, this structure is lower cost solution with fewer impacts on the institutional structure. However, as a downside, under this type of structure the institutions move more slowly to a complete project management methodology adoption and do not gain the full benefits of a project office.

On the other hand, a centralized PMO structure has bigger control. Here, the PMO has the authority to set and enforce standards. The centralized structure allows institutions to more rapidly adopt project management methodologies. Also, issue resolution is more simplified as there is a single escalation path to the top decision maker. Furthermore, with this structure the PMO provides a single source for data and a complete picture of the portfolio of projects. However, as a downside the

PMO can get a “project police” reputation due the high control and demand of data.

There is no right design of a PMO. Depending on the specific needs of the organization, the characteristics of the institution as well as the expectations on the success, the PMOs can be organized into a form as needed. However, as shown in the figure two structures should be avoided: a decentralized structure with highly controlling functions and a centralized structure with responsibility only for status reporting. Instead the structure should be somewhere in the Optimum Balance field.

## **2.2. Responsibilities of Project Management Offices**

In order to understand the benefits derived from implementing and adopting PMOs, first it has to be understood what their responsibilities are so as to understand the areas of their work and how they contribute to the project management flow.

A good description of the responsibilities of the PMOs is provided by Block, who specifies the following activities under the responsibility of the PMO<sup>16</sup>:

- > Enterprise-wide project coordination and consistency;
- > Set standards and methodologies for all projects in the enterprise;
- > Do quality audits of the projects;
- > Help the management and executive teams select projects that support strategic goals;
- > Help the executive team track the entire portfolio of projects in work by developing metrics and measuring all projects against those metrics;
- > Identify the resources that are available to work on upcoming projects;
- > Support the project managers and project teams with training, mentoring and career development;
- > Collect and archive the documents from completed projects and analyze them for trends;
- > Provide a knowledge management system that gathers all project-related information and makes it available in a readily-accessible, useful format.

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<sup>16</sup> Block, T.R. (1999), “The Seven Secrets of a Successful Project Office”, *PM Network*, April, 1999:43-48.

### **2.3. Correlation between success criteria for projects and the contribution of the PMOs**

According to the success factors for projects identified in sub-section 2.3, this sub-section demonstrates the correlation between those success factors and the contribution of the PMOs for successful project execution.

*Good planning.* Key for successful project execution is a good forward plan that will take into consideration what the scope of the project is, project goals, deliverables, milestones, resources, work activities, KPIs, possible risks, budget needed etc. The PMO has the knowledge of all the aspects that need planning in a project as well as the experience of a well-executed plan and can support project managers in preparing a well-defined project plan.

*Clear responsibility and accountability.* One of the basic responsibilities of a PMO is to mentor and coach all project stakeholders in that they are all knowledgeable of the project management process and their responsibilities. Furthermore, PMOs support kick off meetings and can support and ensure that there is a clear understanding of the responsibilities of all parties.

*Schedule control.* Controlling the status of the projects is also the responsibility of a well-established and working PMOs as they have a general overview of all the project's progress and continually monitor and measure their advancement. Furthermore, PMOs can use software and tools to help measure the projects' progress and generate or make reports for all the projects from the portfolio that further supports project status tracking.

*Talent.* PMOs ensure project management knowledge sharing among all interested parties in the organization. Thus, the employees are mentored into the process of project management, the project management techniques and methods. Furthermore, the PMOs have the repository and database of all projects' data, including project resources and can support staffing the projects with the most appropriate skilled people.

*Project Management Basics.* The fundamental purpose of a PMO is to help both the project manager and the relevant organization to understand and apply professional practices of project management. By setting the standards for project management, by doing regular trainings the PMO provides project-related information which are accessible as

well as practical and usable to the project managers, allowing them to successfully execute projects.

*Executive Sponsorship.* As PMOs are coordination bodies, they are also communication points between the project sponsors, which mainly are the executive top-level management as well as the project managers and project members. Project sponsors and their support is an essential precondition for project success and adoption of a PMO would move the organization into accepting the responsibility and power of project sponsorship and guiding the executive top level management into their tasks and responsibilities to they support the project manager through their connection, knowledge and power into successful bottleneck resolution and thus successful project execution.

*Focus on benefits.* Clearly defining what the project should deliver is essential in avoiding project scope creep, the phenomenon when the scope of the project is not properly defined, documented or controlled and continuous to grow and change. As this is one of the reasons for project failure, such negative occurrences are to be avoided with organizations that have an established PMO.

*Change Management.* Projects evolve and projects change as they evolve. Change management is a common practice in project management and an important precondition for successful project execution. The role of the PMO is to guide projects into valid reasons for change request approval and approach towards change management. Furthermore, as not all changes are approved – such as delays due to improper planning, insufficient engagement of the project owner to secure resources and internal visibility or missing escalations, the PMOs support both project managers to avoid such mistakes and steer to make rightful project decisions.

In addition to such direct correlation between the success factors in projects and the support of the PMOs in each, a correlation between the PMOs and the success rates in projects has also been recognized in the CHAOS Report, by the Meta Group, estimating that deploying a Project Management Office can reduce project failures by up to 80%<sup>17</sup>. Furthermore, according to the PMI's report Pulse of the Profession (2012) it has also been recognized that a strong PMO can reinforce the value that project management brings, in that organizations that have a PMO have a success rate of 65%.

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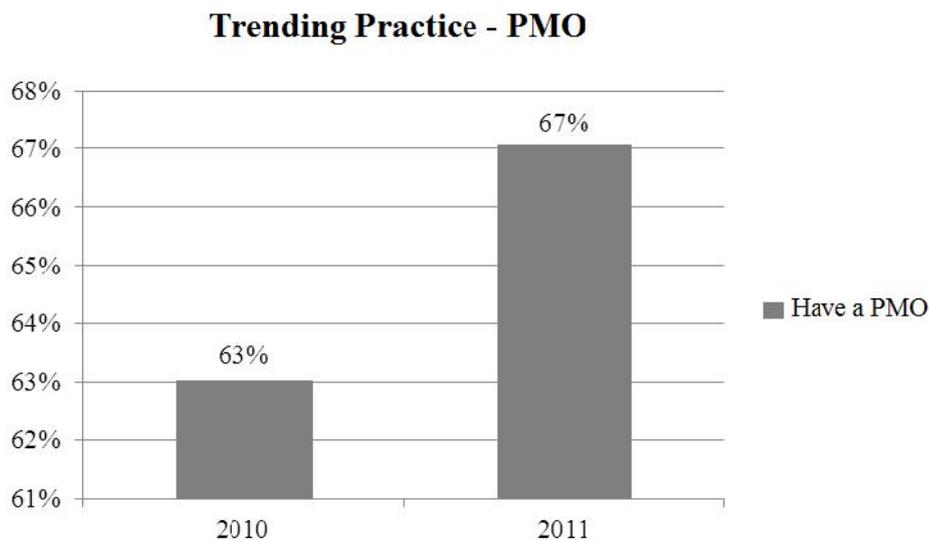
<sup>17</sup> The CHAOS Report (1994), The Standish Group,  
[[http://www.standishgroup.com/sample\\_research/chaos\\_1994\\_1.php](http://www.standishgroup.com/sample_research/chaos_1994_1.php)] (05.01.2013)

## 2.4. Adoption of Project Management Offices by organizations and their benefits

Many organizations worldwide are adopting project management and PMOs as a way of work due to the many benefits that organized and controlled project management provides, such as efficient and timely execution of initiatives, organized structure of work, budget control etc.

According to the survey on PMI's Pulse of the Profession organizations are increasingly using PMOs. This survey takes into account feedback from over 1000 practitioners of project management and leaders. The figure below demonstrates increase in a percentage in the organizations that have a PMO, now standing just above the two-thirds mark (67%) demonstrating standardization in the project management practices across organizations that are practicing project management.

**Figure 3: Practice of PMO, 2010-2011**



Source: PMI Survey, Pulse of the Profession, 2012

Furthermore, in the same survey, regarding success factors in projects, having a PMO was established as one of the most critical success factors.

According to Rathore<sup>18</sup> some of the benefits of having a PMO are:

- > More projects delivered on time and within budget;
- > Better strategic alignment between business objectives and the projects initiated;
- > Money spent on right things;
- > Greater leadership buy-in for department level projects and therefore greater chance of project succeeding and getting support when needed;
- > Better enterprise wide utilization of resources;
- > Lesser or no overlap of effort between departments. Lesser or no duplication of work undertaken by different departments;
- > Better communication across the organization and therefore quicker and better decision making;
- > Better collaboration and coordination across departments;
- > Better visibility of initiatives across the enterprise;
- > Greater returns of the projects implemented;
- > More efficient delivery of projects and therefore faster time to market;
- > Better risk mitigation and structured risk resolution.

### **Conclusion and Future Work**

In this paper the benefits of adopting PMOs as an essential element and factor for successful projects were presented and these benefits, as success factors critical for projects, were connected with the direct contribution and involvement of PMOs. By understanding the responsibilities of PMOs, by following the experiences of the organizations that have a PMO, by following the growing trend of organizations that have implemented PMOs and by following the surveys conducted in these regards it can be concluded that adopting PMO supports the most important aspects of successful project execution.

More projects delivered on time and within budget, better strategic alignment between business objectives and the projects initiated,

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<sup>18</sup> Rathore, A. (2010), “*The growing importance of EPMO (Enterprise Project Management Office) in today’s Organizations*”, Wipro Technologies, p.13. [<http://www.projectsmart.co.uk/docs/the-growing-importance-of-epmo-in-todays-organisations.pdf>] (12.01.2013)

better enterprise wide utilization of resources, better communication, better collaboration and coordination across the organization etc. enable efficient delivery of projects and improved success rate. Demonstrating the benefits of PMOs and the demands of working in this day and age, the need to rapidly evolve and improve the time to market and deliver projects demands working by the principles of a coordinated and well established project management, guided by a coordination body such as a PMO as an effective and efficient way of implementing new ideas and strategies, as well as new projects.

However, there are many options for future improvements as technology advances. The new opportunities enabled by the enhanced capacities of the automated tools can open new doors for PMOs in helping them to better track and coordinate the projects they support. Hence, this paper hopes to unlock frontiers for additional research in order to further development in the PMOs capabilities as enablers of successful project management execution and work.

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