

STATE *of the* PIMCO *2002*



EXECUTIVE SUMMARY



Table of Contents

| | |
|--------------------------------------------|----|
| Introduction | 1 |
| Overview | 1 |
| Study Process | 1 |
| About Interthink Consulting | 1 |
| Respondent Profiles | 2 |
| Overview | 2 |
| Industry | 2 |
| Position | 2 |
| Project Management Experience | 3 |
| Project Management Training | 3 |
| PMO Structure & Approach | 5 |
| Overview | 5 |
| Project Reporting | 5 |
| Training Approach | 6 |
| Project Management Process | 6 |
| Project Management Tools | 7 |
| Benefits Realization Approach | 7 |
| Project Manager Reporting | 8 |
| Project Management Office Definition | 9 |
| Overview | 9 |
| PMO Definition Approach | 9 |
| Role Of The PMO | 10 |
| PMO Performance Goals | 11 |
| PMO Scope | 11 |
| Project Management Policy | 12 |
| PMO Duration | 12 |
| PMO Reporting Structure | 13 |
| PMO Funding Source | 13 |
| PMO Project Support Scope | 14 |
| Percentage Of Projects Supported | 14 |
| PMO Success | 15 |
| PMO Challenges | 16 |
| Conclusions | 17 |

Introduction

Overview

State of the PMO 2002 is a research project conducted by Interthink Consulting Incorporated in partnership with Projects@Work magazine, in order to understand the current status of Project Management Offices (PMOs) within organizations, and the drivers, functions and successes currently being experienced.

This document provides a detailed summary of the findings of the study, which were originally published in the January/February 2003 issue of Projects@Work magazine.

Study Process

The survey response period for the State of the PMO 2002 study was 1 June through 31 August 2002.

Participation in the study was encouraged and promoted through the Interthink and Projects@Work web sites, as well as through advertisements placed in three issues of Projects@Work magazine.

181 participants contributed to the research effort, which consisted of responding to a 27 question survey regarding the function, purpose and practices associated with project management and Project Management Offices within their organizations.

About Interthink Consulting

Founded in 1990, Interthink Consulting is the only company in Canada, and one of only a handful in the North American marketplace, that specializes exclusively in Organizational Project Management consulting. We are a recognized thought leader in advancing the discipline of project management organizations, and recognized for our research into organizational capabilities.

Our services focus exclusively on the assessment and development of organizational project management capabilities. In this capacity, we have conducted numerous project audits and process baseline assessments. In addition, we have worked extensively in the development, enhancement and implementation of performance measurement and project management processes and methodologies. Our latest offering, Focus:Project Manager, builds upon our assessment expertise in providing a detailed assessment of project management skill, and serves as a basis for resource planning, team building individualized development planning.

In addition to our process expertise, Interthink Consulting has extensive market experience in numerous industries, including information technology , construction, engineering, oil and gas, finance, insurance, utilities, communications and product development.

Respondent Profiles

Overview

The respondents to the State of the PMO 2002 study represent a broad cross section, as discussed in detail below. 181 participants from 78 organizations participated in the study. Primarily, participants were drawn from the North American marketplace, with over half of all respondents located in the United States and another 20% located in Canada. As well, participants were located in Australia, New Zealand, Indonesia, Singapore, Hong Kong, Brazil, United Kingdom, Belgium, France, Portugal, Spain, Switzerland and the United Arab Emirates.

Industry

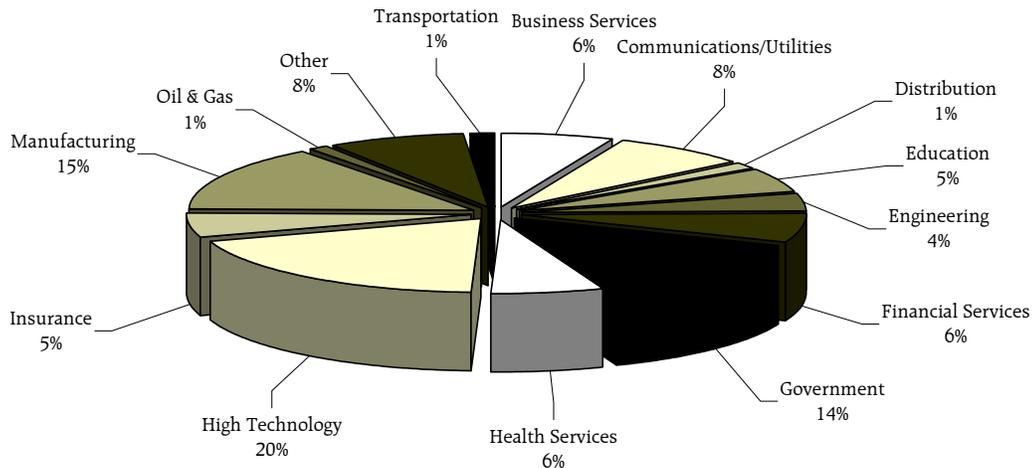


Figure 1 – Participation by Industry

As illustrated in Figure 1, participating organizations reflected a range of different industries, with no one single industry dominating the study results. High Technology reflected the highest proportion of participants at 20% of respondent organizations. Other companies were drawn from a wide array of industries, representing both traditional project environments as well as sectors where project management is a much newer discipline, such as Manufacturing, Distribution, Education, Insurance, Financial Services and Health Services.

Position

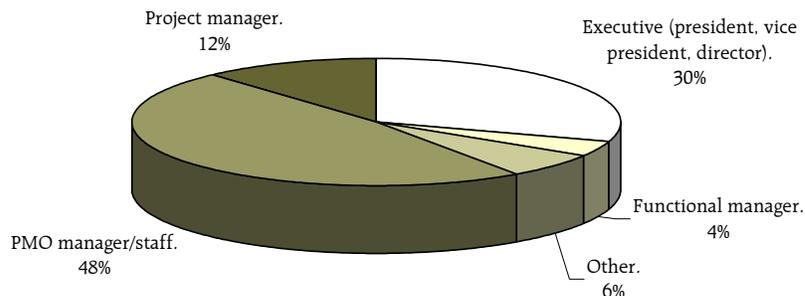


Figure 2 – Participant Profile by Position

While a significant proportion of respondents (48%) were drawn from PMO management or staff roles, a surprising proportion of participants also played an executive role within their organization, as president, vice president or director of their organizations. Only 12% of respondents are in a delivery role as project managers, which is a lower representation than expected. The majority of respondents are drawn from a functional role within their organization, where they are typically responsible for the oversight of the development or on-going management of a PMO capability.

Project Management Experience

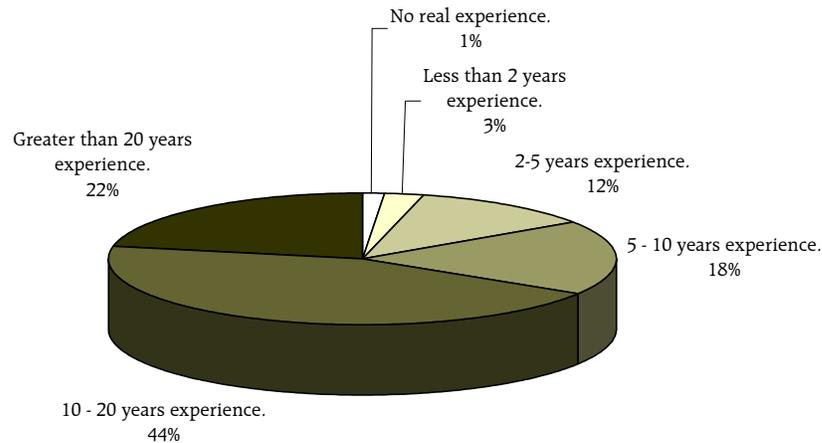


Figure 3 – Participant Profile by Project Management Experience

Given the high proportion of respondents drawn from a functional role, the level of project management experience of respondents is exceedingly high. While for many participants their functional responsibility is associated with a project-oriented function, and therefore a level of expertise is expected; the degree of expertise of respondents that is reflected in the study results is still surprisingly high. 66% of respondents possess greater than 10 years of project management experience, with 22% of participants indicating more than 20 years of experience in a project management role.

Project Management Training

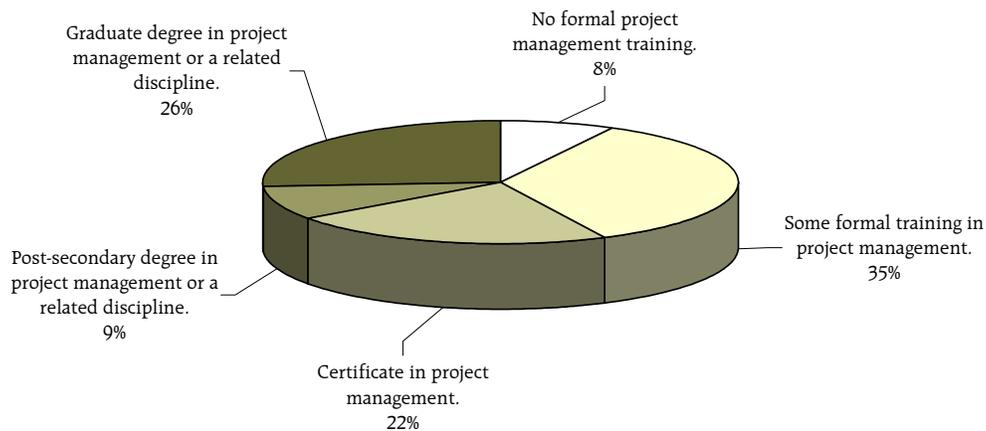


Figure 4 – Participant Profile by PM Training Experience

Also worthy of note within the survey responses is the high level of formal training indicated by respondents. While a high number of participants (more than two-thirds) in the Organizational Project Management (OPM) Baseline Study conducted by Interthink Consulting typically report little or no formal

training in project management, this is true of only 43% of respondents to this study. More than a quarter of respondents indicated a graduate degree in project management or a related discipline, along with an additional 9% of respondents possessing a post-secondary degree. As well, nearly one quarter of respondents indicated possession of a certificate in project management.

PMO Structure & Approach

Overview

Fundamental to understanding the current state of Project Management Offices, it is first necessary to understand the structure, the functions they perform and the approach that is taken in delivering PMO services. The following sections outline the nature and type of services being offered by PMOs today, according to respondents to the study, and provide an analysis of expected future trends and direction in establishing PMOs.

Project Reporting

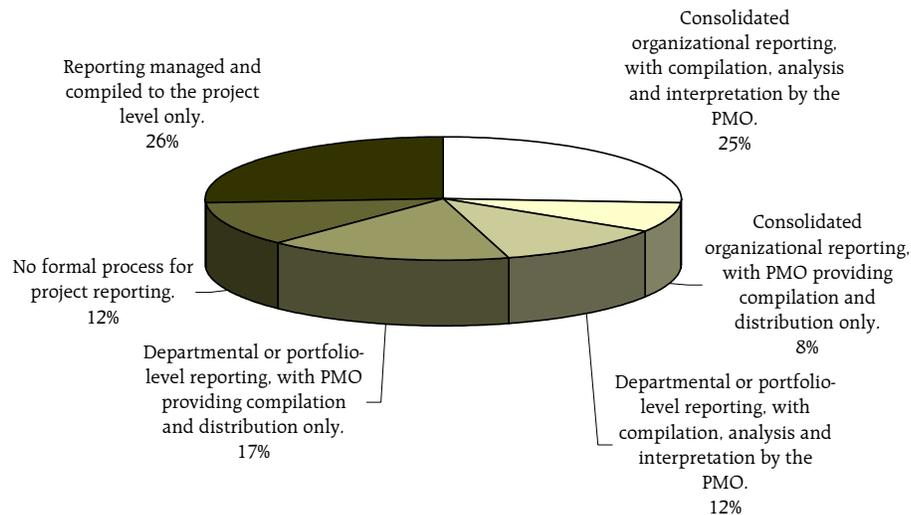


Figure 5 – Project Reporting Approach

For many PMOs, project reporting is one of their core functions. Nearly two-thirds (62%) of PMOs perform a project reporting function, 33% providing full organizational-level reporting and another 29% providing a departmental or portfolio subset of project information. The remaining 38% manage reporting at the project level (26%) or have no formal process in place for project reporting (12%). While the level of project reporting performed by the PMO is higher than might be expected, only 37% provide any analysis and interpretation by the PMO – the remainder of project reporting is still primarily a clerical function based on collating status inputs that reflect the perspective of the project team providing the report.

Training Approach

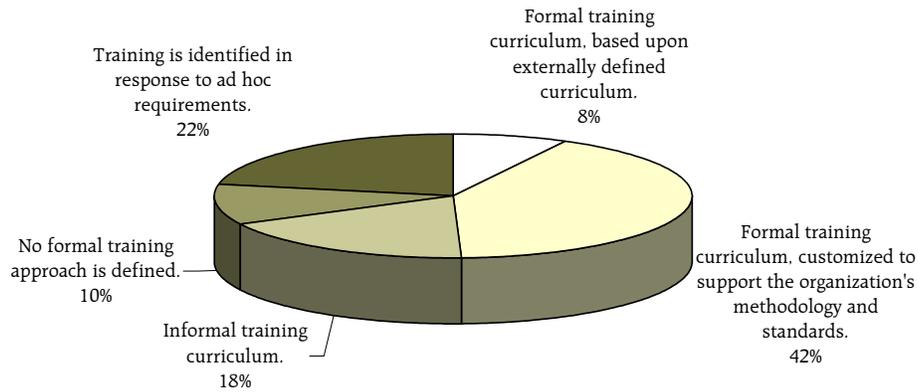


Figure 6 – PM Training Approach

With respect to the support and delivery of project management training to the organization, only half of PMOs currently possess a formal project management training curriculum. A full 32% of respondents indicated that either no formal training approach is defined (10%) or that training requirements are identified in response to ad hoc requirements (22%). Where a formal training curriculum does exist, the vast majority (42% of respondents) reflected that the program is tailored to the specific requirements of the organization's methodology and standards, as compared with only 8% who use an externally defined curriculum. This is a surprisingly high percentage of organizations that have tailored curricula – compared with previous research studies conducted by Interthink – and indicates that a customized curriculum is viewed as highly important in promoting project management effectiveness.

Project Management Process

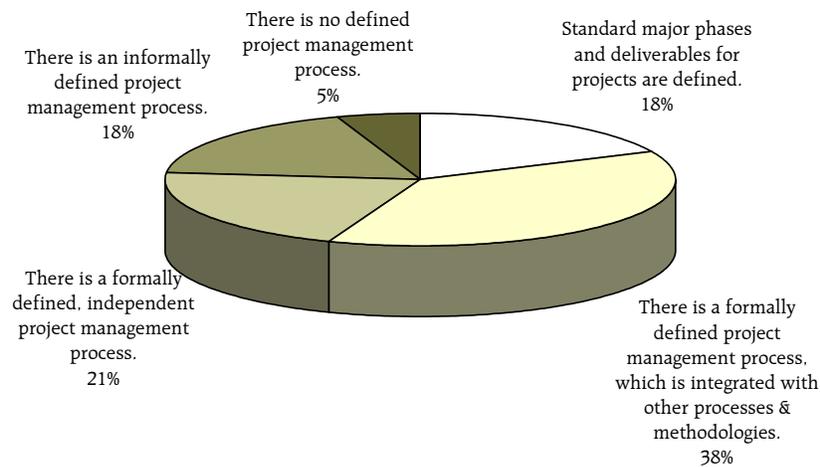


Figure 7 – Project Management Process Structure

Equally important is the degree to which there is a defined project management process in place with the organization. Significantly, 59% of respondents indicate that they possess a formal project management process within the organization, with another 18% indicating that they at least have standards for major phases and deliverables defined. Only 23% indicate that they have an informal process or lack a process altogether. Of those that do have a formal process in place, two-thirds of them (38% of overall respondents) indicated the process is also integrated within other processes and methodologies in the organization,

reflecting an integrated approach to project delivery that combines both project delivery and product and service development.

Project Management Tools

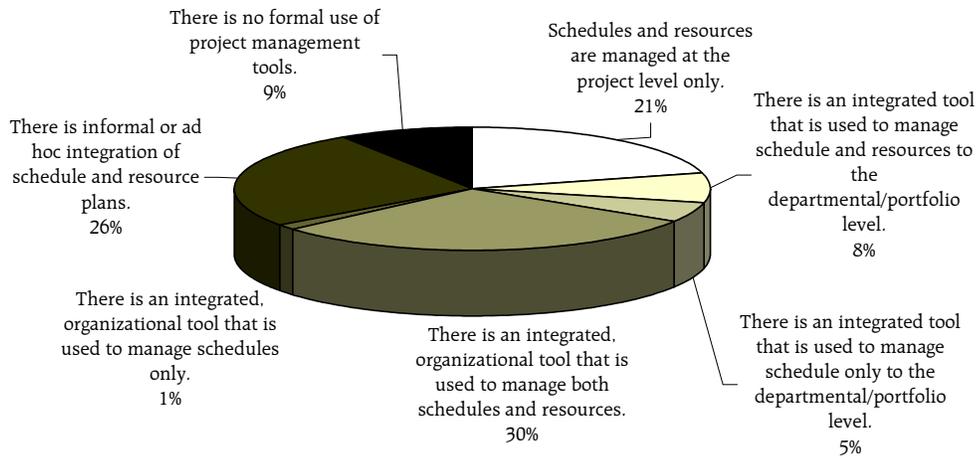


Figure 8 – Project Management Tool Usage

The concept of ‘enterprise’ or ‘portfolio’ project management is often viewed as the purview of software management tools that are designed to provide a consolidated view of resource and schedule. In looking at current patterns of tools usage, a surprisingly high number of respondents indicate some form of portfolio software tools in use, at 44%. Of these, 13% are used to manage schedule and/or resources at the departmental and portfolio level, while an additional 31% are used to manage at the organizational level. The significant majority of respondents indicating use of portfolio tools (86%) use them for managing both schedule and resource allocations across the portfolio. Significantly, a full 9% of respondents make no formal use of project management tools, and another 21% manage schedule and resource at the project level only. 26% of respondents indicate some informal or ad hoc integration of schedule and resource plans. While the use of portfolio tools is higher than expected, organizations still appear to be a good distance from fully realizing the benefits of integrate schedule and resource management.

Benefits Realization Approach

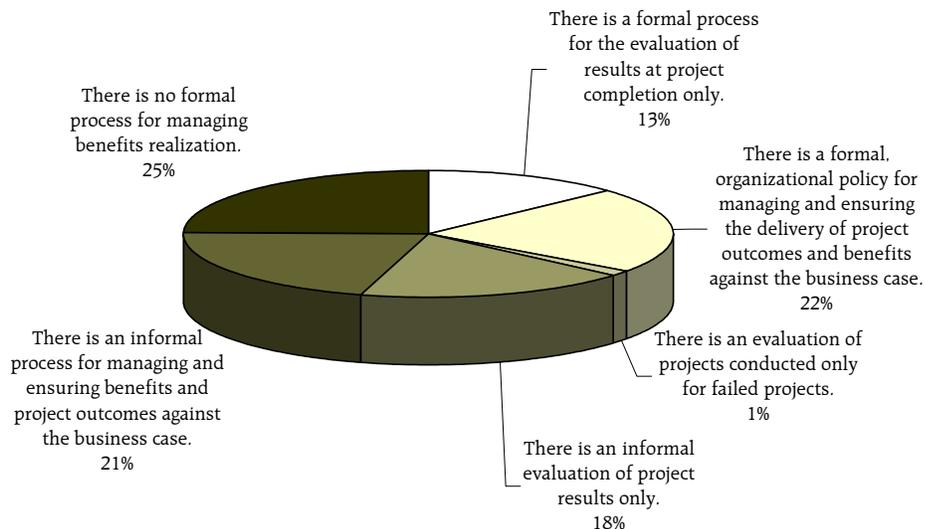


Figure 9 - Benefits Realization Approach

One of the strongest tools that PMOs have in improving the overall effectiveness of project management is evaluating lessons learned from previous projects. Anecdotally organizations typically fail to conduct post implementation reviews or assessments of project success, and this finding is reinforced in responses to this survey. Only 35% of respondents indicated some formal means of project review, with 13% conduct formal post implementation reviews and another 22% of respondents formally evaluating attainment of benefits against the project business case. Another 39% of respondents have an informal assessment process in place, while a full 25% have no assessment process whatsoever.

Project Manager Reporting

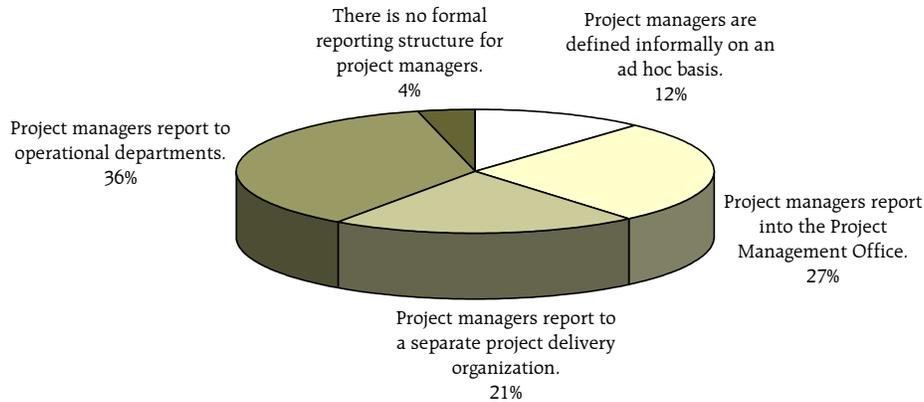


Figure 10 – Project Manager Reporting Structure

PMOs tend to be implemented along one of two dimensions: as support and organizations to the project teams within the organization, or as centralized project delivery units responsible for the actual execution of projects. While in many articles and discussions there appears to be a bias towards PMOs with project delivery responsibilities, this was not as strongly seen in the findings of the survey. While 48% of respondents indicated a centralized organizational project management reporting structure, only slightly more than half of these indicated that the project managers report to the PMO; the other half reported to a separate and distinct project delivery organization from the PMO. As well, of the 52% of decentralized reporting structures indicated, only a handful of respondents (4%) indicated that no formal reporting structure existed and another 12% reported an informal or ad hoc approach. The single largest category by far, at 37%, indicated that project managers report into the operational departments within their organizations, reflecting strongly that projects are delivered by the business organizations themselves.

Project Management Office Definition

Overview

As well as examining the functions and services of PMOs today, the State of the PMO survey examined the process by which the PMO was defined and structured within the organization. This included looking at structural issues such as reporting lines and funding sources, as well as implementation processes and the integration of project management and the PMO in the organizational structure. The survey also looked at the current perspectives regarding the success of the PMO, and the challenges that the PMO currently faces.

PMO Definition Approach

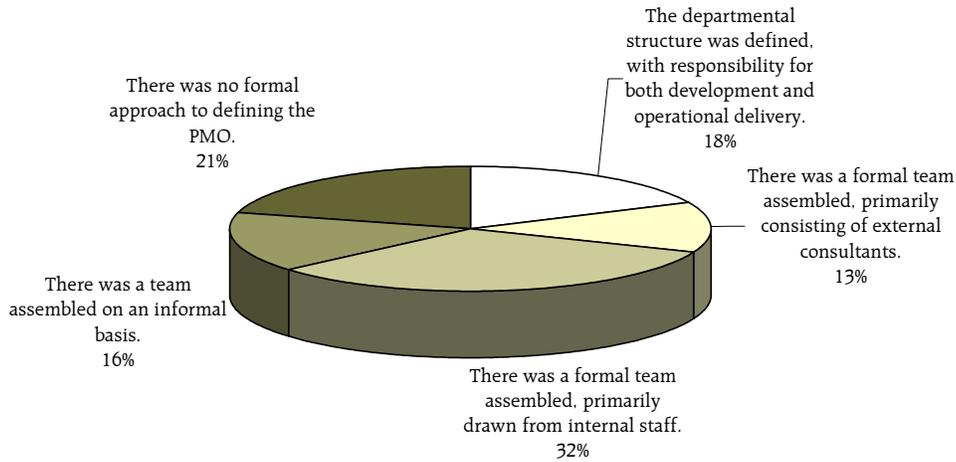


Figure 11 – PMO Definition Approach

One of the key questions that many organizations struggle with is the most appropriate means of actually establishing and defining the PMO. Surprisingly given the subject matter, a full 37% of respondents indicated no formal approach (21%) or an informal team being assembled (16%); this demonstrates a surprising lack of formality given the nature of the PMO is arguably focussed on improving the formal management of projects. Where formal teams were established to define and implement the PMO, the split was approximately 3 to 1 in favour of internal staff (32% of overall respondents) vs external consultants (13%). What became very clear from the findings, however, is that there is typically a very clear distinction between the teams that establish the PMO and those that continue to manage its operational delivery; only 18% of respondents indicated that the team that was responsible for running the PMO were also primarily responsible for developing it.

Role Of The PMO

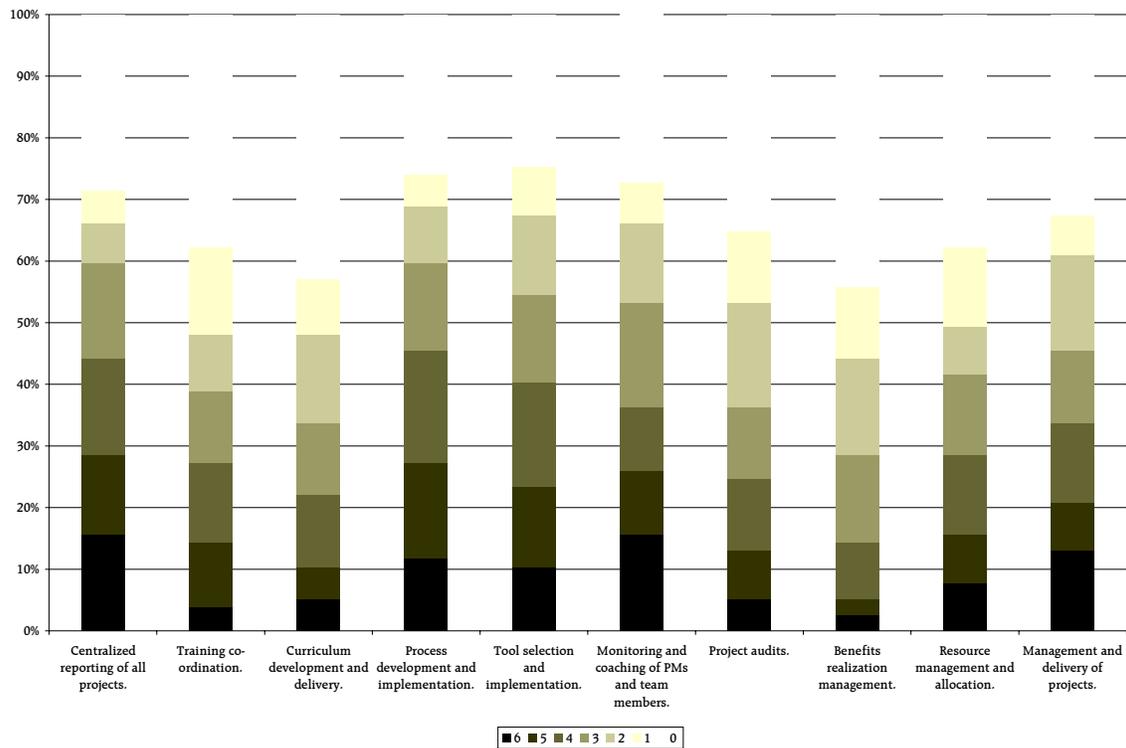


Figure 12 – Role of the PMO

The actual role of the PMO varies considerably from organization to organization; in reality, there is no single definition of what a PMO is or what functions it should provide. The role of a PMO can be thought of as living on a continuum between support and control. As a support organization, the PMO is responsible for facilitating improvement of the project teams, through co-ordinating reporting, training, process development and tool adoption. Moving towards the opposite end of the spectrum, where the PMO plays a greater role in control, the PMO is responsible for conducting audits, ensuring delivery of project benefits and outcomes, managing resources and project allocations, up to and including managing the full delivery of projects.

The graph above illustrates the degree to which respondents indicated the significance of each identified functions in the role of their PMO. Responses were graded on a 7-point scale, where '0' indicated no importance, a '6' indicated extreme importance, and a '3' represented moderate importance.

Overall, there is a slight bias towards the 'support' end of the continuum than the 'control' end, although there is a clear sector of respondents that aligns quite strongly to one or the other. 60% of respondents indicated that centralized reporting was at least moderately important as a function of their PMO, while at the opposite end of the spectrum 45% of respondents indicated that managing delivery of the projects was at least a moderately important role. Training delivery and curriculum development reflects far less significance in the PMO role, with 39% of respondents indicating training co-ordination was of at least moderate importance, and less than 33% indicating the same for curriculum development. Of least importance currently, and not surprising given its lack of emphasis in the discussion of project evaluation above, is the function of benefits realization management; less than 5% of respondents ranked its importance as a '5' or '6', and only 28% of respondents ranked it as of at least moderate importance.

The roles that most strongly align with the functions of PMOs today are those of process development, tool selection and implementation, and the monitoring and coaching of project managers and teams. Each of these roles were ranked as of at least moderate importance by more than 50% of respondents, and more than 23% of respondents indicated the importance of each role as at least a '5' or '6'.

PMO Performance Goals

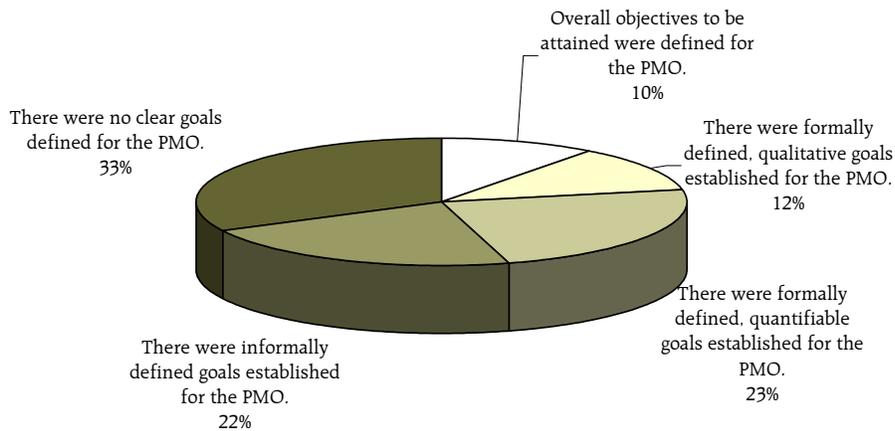


Figure 13 – PMO Performance Goals

While the degree to which project management success is formally evaluated was discussed earlier in these findings, of equal interest and greater surprise is the degree to which the success criteria of the PMO are defined and evaluated. A full 65% of respondents indicated that criteria for PMO success were at best informal, with 33% of respondents indicating that there were no clear goals defined in establishing a PMO in their organization and 10% had only overall objectives defined for the PMO. Of the 35% of respondents that indicated formal goals for the PMO did exist, two-thirds of these (23%) indicated that quantifiable goals were established while the other third relied on more qualitative objectives.

PMO Scope

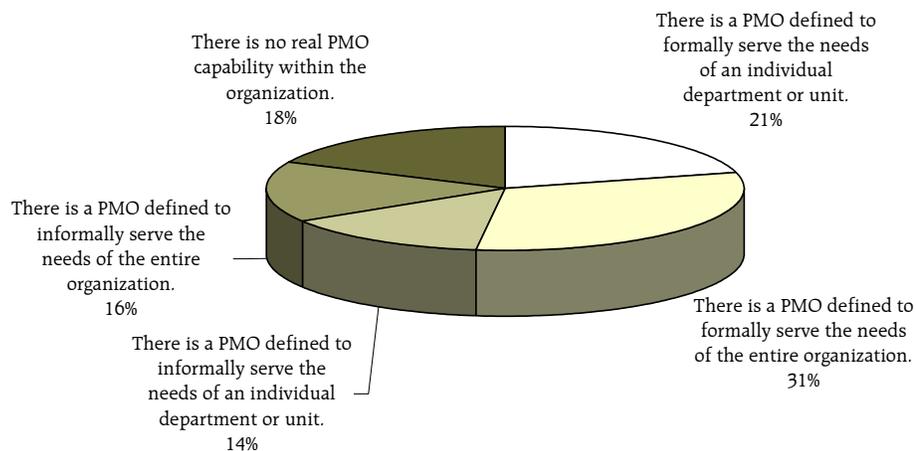


Figure 14 – Scope of the PMO

Given the spectrum of roles that the PMO is called upon to play, the scope of the PMO becomes of extreme interest. While 82% of respondents indicate that some form of PMO is in place within their organization, for a significant number (30% of overall respondents) the PMO is established on only an informal basis, with 14% of respondents indicating a capability designed to support an individual department or unit and 16% of respondents reflecting a more organizational capability, if still an informal one. For 52% of respondents, a formal PMO capability has been defined, with 60% of these (31% of overall respondents) indicating an organizational capability and the balance (21% of respondents) reflecting a department or unit capability.

Project Management Policy

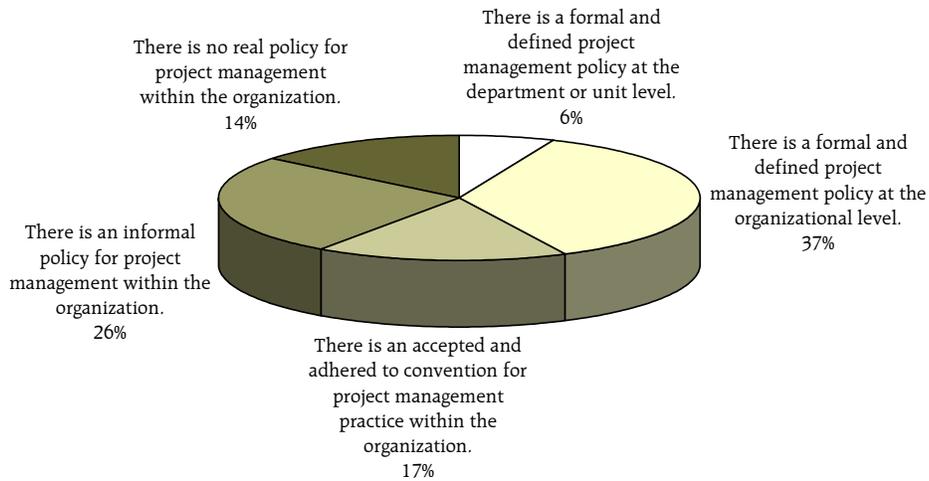


Figure 15 – Project Management Policy Approach

The lack of formality of the PMO scope is also reflected in whether or not a policy exists defining the role of project management in the organization. Only 43% of respondents identified a formal policy for project management being defined and in place, with 37% of respondents indicating an organizational one and another 6% indicating a policy defined at a departmental or business unit level. Another 43% of respondents reflected a more informal policy of project management, while 14% of respondents indicated that no policy existed. This lack of a formal policy defining the role and importance of project management in the organization reinforces a number of the other findings regarding the lack of formality of the PMO scope and success criteria for the PMO.

PMO Duration

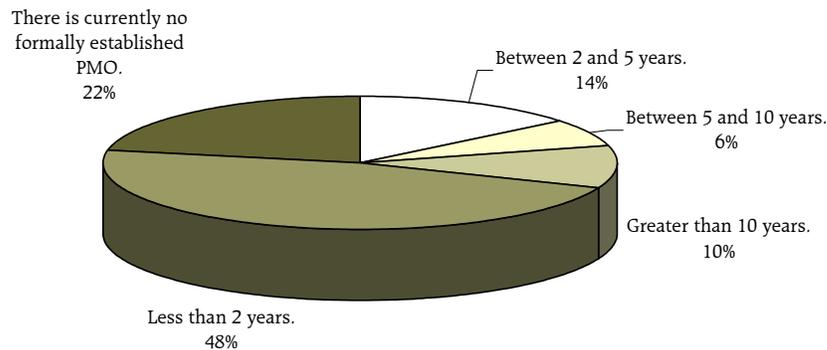


Figure 16 – Duration of the PMO

In looking at the longevity of PMO capabilities, nearly half of all respondents indicated that their PMO had been in place for less than 2 years, reflecting the relatively recent focus that has been placed on establishing organizational project management capabilities. Given this high percentage of relatively new PMOs, it is perhaps more surprising that 16% of PMOs have been in place for at least 5 years, with nearly six-tenths of those (10% of respondents) having been established more than 10 years ago.

PMO Reporting Structure

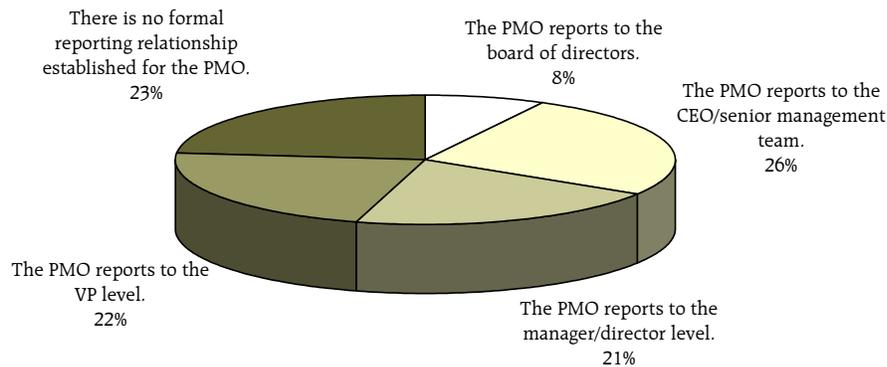


Figure 17 – PMO Reporting Structure

One of the struggles that most organizations face in establishing a PMO capability is determining where in the organizational hierarchy and reporting structure it should be placed. While 23% of respondents indicated no formal reporting relationship, this correlates with the 22% in the previous section that indicated no formal PMO capability. Interestingly, 34% indicated that the PMO is a true organizational capability, reporting either to the board of directors (8%) or CEO and/or senior management team (26%). The balance are evenly split between reporting to the level of vice president (22%) and to a manager or director (21%).

PMO Funding Source

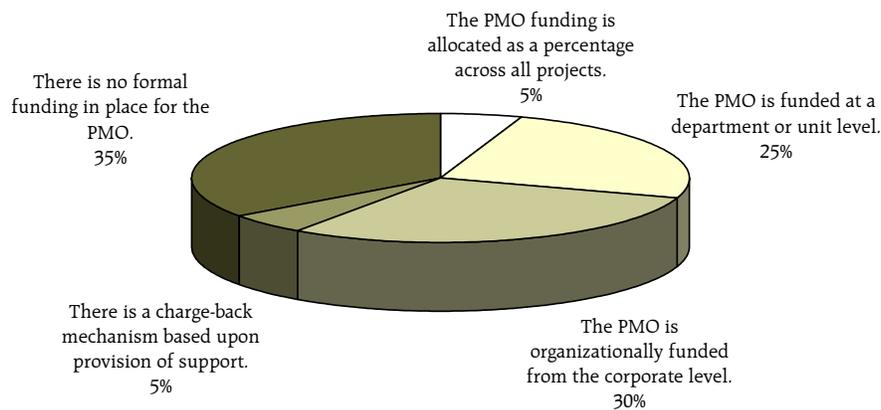


Figure 18 – PMO Funding Source

Along with the reporting structure for the PMO, a significant consideration is determining the most appropriate model for funding. Interestingly, a full 35% of respondents indicate that there is no formal funding in place for the PMO – in essence, the PMO is in these cases an ad hoc structure, which creates a perilous and tenuous basis for existence, as well as to continue to improve organizational capabilities. A small percentage (10%) of respondents indicated that the PMO was funded by the projects, with half of these (5%) indicating the PMO is funded through a charge-back mechanism while the other half indicated that funding is drawn on a percentage basis from all projects. The result is that only slightly more than half of all respondents (55%) indicated that the PMO has a stable source of funding, with 55% of these (30% of all respondents) indicating that funding is established at an organizational level and the balance (25% of respondents) deriving their funding from a departmental or business unit level.

PMO Project Support Scope

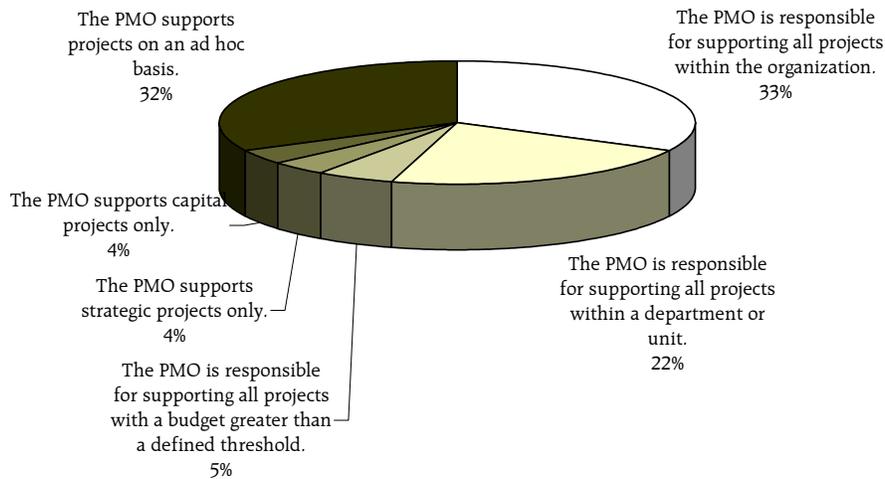


Figure 19 – Scope of PMO Project Support Role

When looking at where PMO support is leveraged, just slightly more than half of all respondents (55%) indicated that the PMO is responsible for supporting all projects that occur within the scope of their mandate; of these, 60% (33% of all respondents) are responsible for all organizational projects and the remaining two-fifths (22% of respondents) are responsible for all projects within the departments or business units that they support. A much smaller percentage (13%) indicated that the PMOs in their organizations are responsible for a narrower subset of projects, whether capital projects (4%), strategic projects (4%) or projects that exceed a specific budget threshold (5%). The remaining respondents indicated that the PMO supports projects on an ad hoc basis, providing support where they are requested to or choose to intervene.

Percentage Of Projects Supported

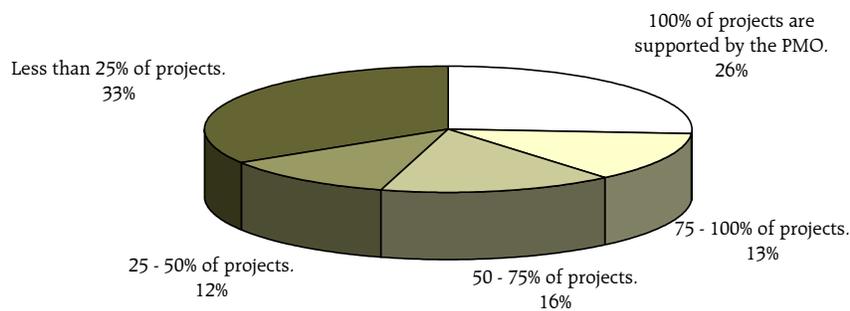


Figure 20 – Percentage of Projects Supported

In looking at the PMO support as a reflection of the percentage of projects supported, only 26% of respondents indicated that fully 100% of projects are supported by the PMO. A surprising 33% of respondents indicate that the PMO supports less than 25% of projects.

PMO Success

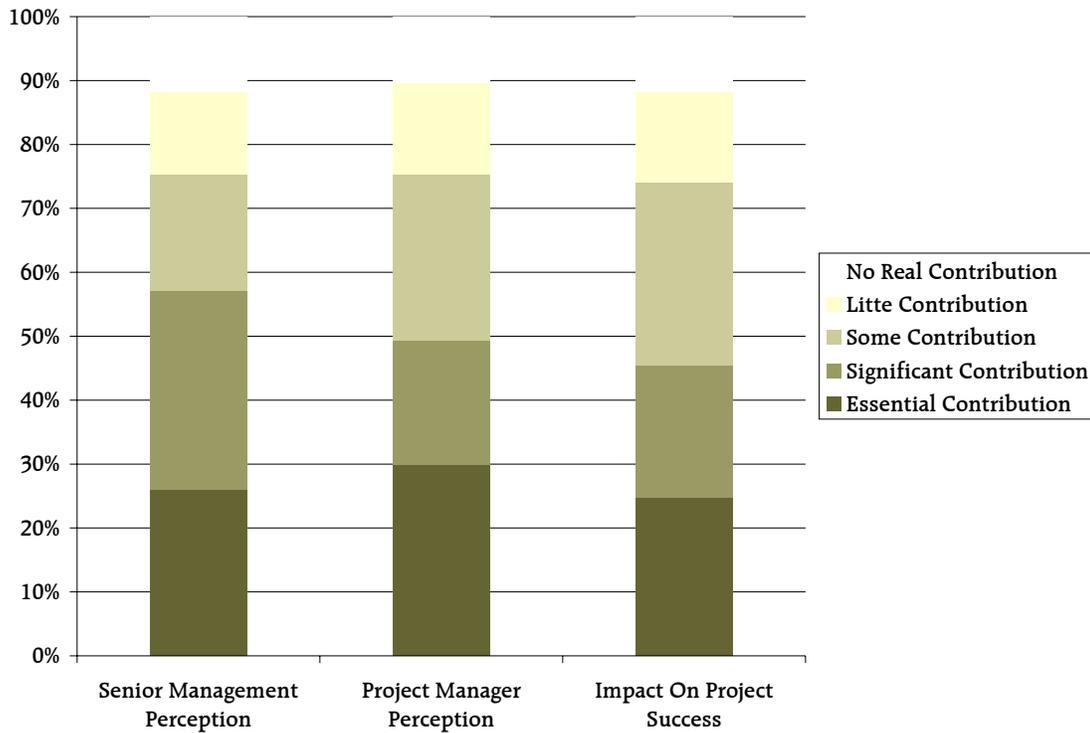


Figure 21 – Experience of PMO Success

One of the most significant findings to come out of the study is an assessment of the degree to which the PMO is currently being viewed as a success. Not surprisingly, this question is today a rather subjective one – as discussed earlier, a small fraction of respondents to the study indicated that they had formal criteria established by which they evaluate PMO success. Recognizing the subjectivity inherent in the answers, it is still valuable to understand how PMOs are being perceived.

Respondents were asked to evaluate how successful they viewed the PMO in their organization, and then how influential they viewed the PMO in ensuring that the projects they support were successful. Responses were ranked on a five-point scale, from no contribution to making an essential contribution.

While at least 70% of all respondents indicated both that they viewed the projects as being somewhat successful and making at least some contribution to project success, taking a narrower view yields some surprising results. Looking at only those responses where the PMO was viewed as making a 'significant' or 'essential' contribution, 55% of senior management respondents indicated a favourable response. Less than 50% of project managers indicated the same level of support; an interesting decline, given the close working relationship expected between PMOs and the organizations they support. Most importantly, only 45% of all respondents indicated that the PMO in their organization made either a 'significant' or 'essential' contribution to ensuring the success of the projects they support; by extension, 65% of respondents indicated that, at best, the PMO made only some contribution to project success and a full 27% indicated that the PMO made little or no contribution to the success of the projects they support.

PMO Challenges

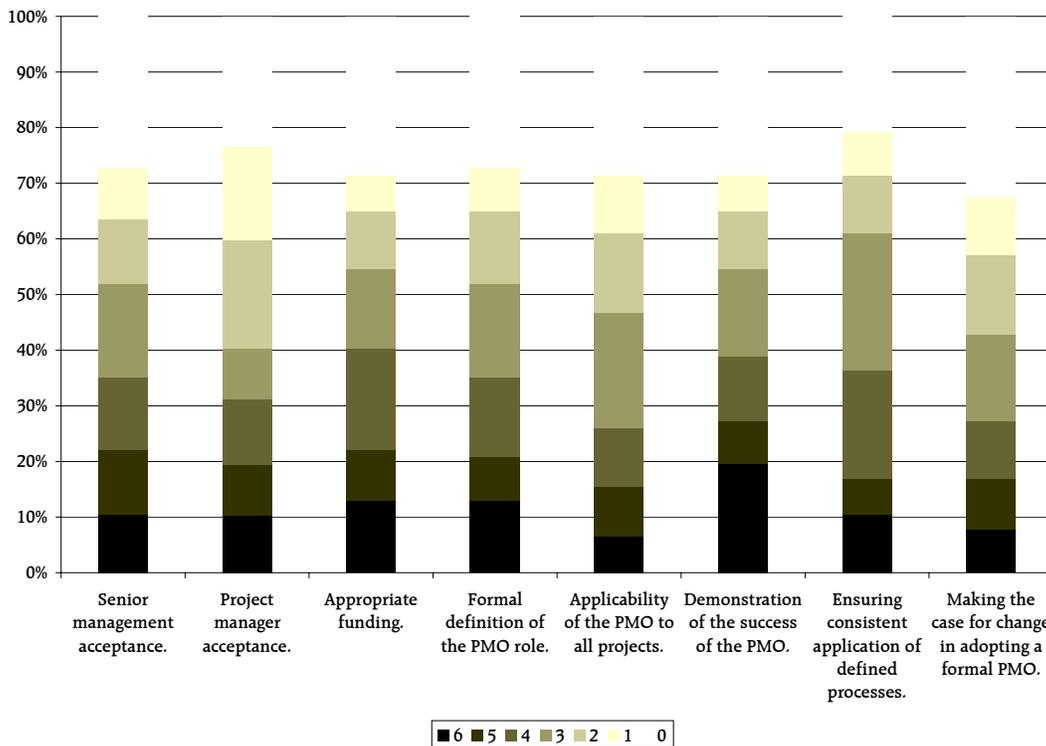


Figure 22 – Current PMO Challenges

Finally, the State of the PMO study looked at where the current challenges are in establishing and maintaining the PMO capability in their organizations. Respondents were asked to rank their responses on a six-point scale, with ‘0’ indicating the dimension posed no challenge within their organization and ‘6’ indicating the dimension was the most significant challenge; a ‘3’ indicated the dimension reflected a moderate challenge.

Looking at the dimensions that were identified as being the greatest source of challenge (those ranked as at least a ‘4’ by respondents) the two most significant dimensions are securing appropriate funding for the PMO (40% of respondents) and demonstrating the success of the PMO (39% of respondents). Neither of these dimensions are terribly surprising given some of the earlier findings; the greatest challenge, however, is that for most organizations today these capabilities do not exist – stable funding for the PMO is not in place, and formal objectives and success criteria for the PMO were never established.

What is as interesting as where the greatest challenges lie are those areas where less of a challenge is perceived to exist: in ensuring project manager acceptance of the PMO, ensuring the applicability of the PMO to all projects and in making the case for change in adopting a formal PMO; for each of these dimensions, 30% or less of respondents rated these categories as a ‘4’ or higher. Again, given the findings these results are extremely surprising. They suggest an environment where the case for the PMO and the value to the project managers are relatively obvious, statements that the findings in this study do not necessarily bear out. Project managers have a surprisingly poor view of the contribution of the PMO, and while senior management appears to view the PMO slightly more favourably, most PMOs are a long way from establishing themselves in a pivotal organizational role.

Conclusions

The State of the PMO 2002 benchmark study provides a valuable insight into how PMOs are currently defined, structured and viewed, and where some of the key challenges moving forward lie. While for most organizations the PMO is a relatively new capability, the responses to the study indicate that there is growing acceptance of the need of organizational project management in general and the value of the PMO in supporting this capability in particular.

That said, the PMO is a long way from establishing itself as a core organizational capability. In terms of role, objectives and scope, there is a great deal of uncertainty with respect to how PMOs are currently defined. Their source of funding is uncertain, and their source of organizational support is unclear. While the varying role of the PMO from organization to organization will the functions that a PMO will provide, to be an objective and valued contributor to organizational success requires ensuring there is clarity of purpose and organizational stability. As much care needs to be taken in considering where the PMO should report as to what services it should provide. The appropriate reporting lines will change as well based upon where the projects are managed; where project management is viewed as the responsibility of the line business units, a centralized PMO will be viewed with far greater resistance – and therefore will require that much more organizational support – than where project management is already a centrally delivered capability.

What is clear from the findings of the State of the PMO 2002 study is that the first priority in implementing a PMO must be defining clear objectives and formal success criteria. From this, all other decisions can be drawn, and the relevance and value of the PMO can be reasonably evaluated. Where organizations are today struggling – and the results clearly demonstrate that many organizations today have less than preferable capabilities and see far less value being provided than is reasonable or desirable – the challenges stem directly from lack of a clear set of goals and objectives.

Finally, it is important to recognize that the findings in this study – while unquestionably reflecting what is still for many organizations a relatively immature PMO capability – are probably overstated for the average organization. The respondents to this study were drawn from organizations who were already aware of the value of project management, and many respondent organizations are well on their way to establishing a PMO capability. As such, they are better educated as to both the need for a PMO and the challenges associated with its implementation.

There is no question that the concept of a PMO is important to organizations. What is also clear is that there is still much that remains to be done in defining what the role of the PMO should be, and the functions and roles that are most important and deliver the greatest value. While the State of the PMO 2002 provides a valuable initial snapshot, it is a sign-post that reflects a point in time on a much longer journey. Interthink Consulting is committed to expanding on the results of this study, and will both revisit and expand the nature of this study in future years.