

What is a PMO and How Do You Know If You Need One?

By Chris Upham, Client Services Executive

Delivery Leadership



Introduction

If your technology department's projects run behind schedule, over budget, or do not bring the value to the organization that was intended, you are not alone. According to a [survey](#) by McKinsey & Company, on average, large IT projects run 45 percent over budget and 7 percent over time, while delivering 56 percent less value than predicted. Quite stunningly, 17 percent of IT projects go so far off track that they can threaten the very existence of a company.

A project management office (PMO) can help you avoid these issues or address them if they're already being faced. A PMO is a team within an organization that defines the processes, best practices, methods, and tools used during project execution and drives projects to completion. PMOs can also assist project prioritization and recommend and implement options to help ensure on-time delivery.

A PMO typically consists of two layers of resources that guide project execution. The first is a team of employees within the PMO that includes project managers, business and functional analysts, change management experts, and others directly involved in project execution. The leader of this group is generally a technologist with very strong business aptitude as well as project management aptitude. The second layer is made up of stakeholders that surround the PMO—product managers, engineering managers and business and technology leaders. This group oversees and is ultimately responsible for the projects underway and the consequences to the organization when projects fail.

Some organizations resist implementing PMOs because they worry that tasking a team to oversee projects will slow down the pace to an unacceptable level. It's true that PMOs must balance forward momentum with proper checks and balances to ensure project and organization health, but although slowdown can be a concern, PMOs help organizations in a variety of ways that are critical to success.

PMOs provide:

- Project prioritization to help determine the selection and timing of initiatives that will be of most value to the organization.
- Central management to make sure project funding decisions are made, properly documented, and that ROI assumptions are documented and approved.
- Leadership, structure, tools and guidance for how project managers should run projects and execute delivery.

- Visibility to stakeholders on the impact projects have to the business and the status of those projects (whether they are being delivered on time and correctly) by servicing information on project status to executive teams, often through a dashboard.
- “Organization for the organization” by recommending an organization’s structure and approach so that development and product teams are organized around delivery mechanisms that will deliver the prioritized initiatives

How do you know if you need a PMO?

The need for a PMO in an organization is usually a factor of risk and size. If running the wrong projects, or running the right projects without consistent standards, will result in critical harm to the business, then a PMO will be a valuable asset to your organization. Additionally, at a certain point, an organization gets large enough that no matter how many good people it has, it reaches some level of paralysis and projects become very difficult to manage. The point that a PMO is needed varies from organization to organization, but PMOs are nearly always useful when facing the following pain points:

1: Your organization is not working on the correct projects

Consider a retail organization where development teams are busy enhancing features on the e-commerce site while the merchandising teams (vendor management teams and buyers) are clearly underfunded from a development perspective, running off Excel spreadsheets and poor modeling. There’s no solid understanding of customer buying patterns, resulting in inventory surpluses and deficiencies, supply chain issues and poor customer experiences. The organization may not even be mature enough to even recognize or understand the consequences of this underfunding.

For many organizations, unless someone or some entity is guiding employees toward analysis that helps select the right projects, they’ll maintain a narrow focus on their jobs and solve the problems in front of them. But it’s critical to see the bigger picture, and a PMO provides a mechanism to obtain this visibility through objective prioritization metrics. With a PMO, there would be consensus regarding the underfunded areas and a clear understanding of the consequences of ignoring those areas.

2: Your stakeholders can't tell what development is working on

Imagine a large e-commerce marketplace where 180–200 projects are prioritized every quarter. Of those, 65 to 70 end up being above the line (funded). The executive team sets initiatives for all levels of the organization, with each level responsible for a subset of the initiatives. However, no dashboard is in place beyond the individual product manager level to know which initiatives are supported by which projects and which ones are delivered on time. It's not uncommon for organizations to hire very smart project managers but provide no mechanism for coordination between them. Because it's unmanageable to look at dozens of status reports and figure out the health of the organization, communication disconnects are common. Even with smart people, without enough supporting data, some decisions will be incorrect and result in harm to the business.

This dilemma can be solved by connecting project managers with the project prioritization process. Bringing the two together under a PMO can substantially improve prioritization and visibility around project performance and initiative performance. Resources can be reallocated where necessary, helping to complete the organization's most important projects on time.

3. Your organization lacks project delivery standards

Even if your organization has the right projects underway, projects can still go astray if best practices are not followed. By this, we don't mean broad adherence to what project managers learn in project management courses and certification programs. While these provide a necessary foundation through great theory and common terminology, in practice, what is required for project management success depends on the nuances of the organization itself.

A good PMO will teach project managers about these nuances and provide coaching and mentoring on the best ways to determine and solve risk. Oftentimes, a PMO will provide tools with a list of criteria that every project must meet. Heavily regulated organizations in particular rely on templates because their projects need to be very structured and check-listed so that critical things aren't missed, which can result in failing audits and the project becoming a liability to the overall organization. While such tools help to evaluate risk and other measures, they are ultimately an output of project management best practices that achieve consistency across the organization. Providing managers the right level of expertise, guidance, and direction enables the best possible project delivery across the organization.

Although the benefits of a PMO are many, they can be hard to quantify and it's important to understand that a PMO is not a silver bullet that will solve all project problems. However, in a [survey](#) conducted by CIO and the Project Management

Institute (PMI), a strong link between PMOs and project success rate was discovered. Out of 450 people surveyed, 67 percent had a PMO and of those, half said the PMO improved project success rates, 22 percent didn't know or don't track that metric and 16 percent said success rates stayed the same. The longer the PMO has been in place, the better the results. 37% of organizations operating a PMO for less than one year reported increased success rates while organizations operating a PMO for more than four years reported a project success rate of 65 percent.

Customization is key. Establishing a PMO at your organization will require tailoring it to your environment, a process that's best evolved with learning and patience. The most successful PMOs have been developed with a roadmap that evolves with your organization. When you create a PMO with your most critical needs in mind, hone its organization and processes, and then continue to enhance it, the result is IT projects that run with greater efficiency and success rates over time.

About the Author:



[Chris Upham](#) has over 15 years of experience managing technology teams, developing PMOs, and running complex technology projects. He excels at agile methodologies and is a certified project manager with the Project Management Leadership Group (PMLG). He is based out of Seattle.



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