

EXECUTIVE SUMMARY

The results of an industry-wide survey commissioned by Planview and conducted in September of 2008 by OpenSky Research indicate major shifts in the role of the Project, Program and Portfolio Management Office (PMO), as their influence moves beyond project management to include a more strategic role with an increasing scope of responsibilities. More than 60% of the 455 PMOs responding report a wider scope of responsibilities that include all planned work and comprehensive resource management. PMOs are delivering a broad range of business management services, including:

- Process Improvement (82%)
- Strategic Planning (68%)
- IT Service and Application Management (49%)
- Management of intellectual assets (47%)
- Product Management (37%)
- Budgeting (40%)

The survey, which was primarily focused on knowledge-based technology environments, presents evidence of a direct and dramatic relationship between effective business processes and the ability of an organization to reduce the effects of common operational challenges. Responses also indicated a clear linkage between PMO effectiveness and levels of process maturity.

The research also highlights that as its mission changes, the positioning of the PMO is also shifting within organizations, with more than 55% of PMOs reporting to the C-level. In fact, over 25% of respondents represent an Enterprise PMO. Yet, even as the PMO continues to evolve, the research did bring to light a number of ongoing challenges. Interdepartmental politics and organizational silos were cited by more than half of respondents as the chief roadblocks to improving operational performance. The research also showed that a reasonably staffed, full-service PMO can help reduce the severity and impact of these challenges, as well as other common issues that are an inherent part of managing increasingly complex business environments.

The following analysis of the 2008 survey data shows how PMOs are becoming a centralized hub for integrating general business management processes and enabling the free flow of information across the organization. It presents findings on the traits of effective PMOs and recommendations for addressing the top operational challenges faced by PMOs today.



The study finds that PMO effectiveness, process maturity level, and ability to manage operational challenges are definitively linked.

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I. INTRODUCTION

A. About the Survey

As part of the ongoing Planview PMO 2.0 Initiative, an online survey was commissioned in September 2008 to assess the overall state of groups within organizations responsible for coordinating the management of projects, programs, portfolios, resources and related supporting business activities; generally referred to as the Project, Program or Portfolio Management Office (PMO). The survey was conducted by OpenSky Research, Inc., an independent third party research firm. Survey data was then provided to Planview for analysis and subsequent publication. Development of survey questions, results analysis and the report itself were compiled by Terry Doerscher, Chief Process Architect for Planview. Peer reviewers of this report include Mr. Mark Perry, Senior Vice President at BÖT International, and Drs. Brian Hobbs, BAsC, MBA, Ph.D, PMP, and Monique Aubry, Ph.D, of the University of Quebec at Montreal.

Guernsey Research has reviewed and advised Planview on the statistical analysis used in this report based on information provided by Planview which Guernsey Research accepts in good faith to be reliable. Any conclusions or interpretations in this report are solely attributable to Planview and are not attributable to Guernsey Research or its employees.

Any inquiries or comments regarding this survey or report, or requests for permission to use portions of this report in the public domain should be sent via email to PMO@planview.com.

B. Survey Objectives

This survey was prompted by feedback and information received from well over a thousand PMO directors, managers, staff and sponsors that we have had contact with over the past three years as part of the PMO 2.0 Initiative (web casts, general inquiries, local Leadership Forums, etc.), as well as through participation in other industry events, ongoing customer support and trends in prospect interest. Collectively, this interaction indicated that the role of the PMO was rapidly evolving to incorporate functions outside the typical range of commonly accepted PMO scope. The objective of this survey was to qualify these insights using statistically valid, quantifiable data to identify:

- The range of functions being performed and span of services provided by the PMO
- Levels of PMO sponsorship and acceptance
- Lines of reporting, PMO structure, naming convention and staffing
- The processes being employed and general levels of process maturity
- Level of PMO effectiveness
- The prevalence and impact of challenges being faced by the PMO and organizations
- 2009 PMO planned initiatives
- Associated demographics

C. Survey Process, Participants, and Methodology

OpenSky Research conducted the research in late 2008, collecting responses from 455 respondents (note that 75 respondents indicated there was no PMO in the organization, thus many questions were not applicable to this group). Because of this, the total number of responses for any given question varies from the total number of survey participants. In cases where a question was left blank by respondents, survey data percentages reflect the actual population of responses. Survey questions with 400 respondents can be expected to have a worst-case confidence interval of $\pm 4.9\%$ at the 95% confidence level.

Survey participants had the option to identify their organizations by name or submit responses anonymously. Approximately 75% of respondents identified their organizations, and those responses were checked for duplications. 23 total instances were identified where multiple responses were received from a single organization. Many of these were from very large global entities, which may well represent different and largely autonomous business units. Because the overall number of possible duplications was low and tend to simply average out in results, the decision was made to include all responses in an effort to factor in different viewpoints rather than delete valid responses.

Planview was identified to respondents as the initiator of the survey. Although this survey was initiated by Planview, a provider of portfolio management software and services that is of direct interest to the PMO, and invitations were sent based on a contact list provided by Planview, it should be noted that respondents did not necessarily have specific ties to Planview, Inc. or its products. While we did not specifically ask if respondents used our products or services, based on the those that responded to the survey and identified their organization by name, it is estimated that 20-30% of respondents have a current, past or pending commercial relationship with Planview, Inc.

Although respondents were not specifically asked for geographical information, the majority of responses are assumed to originate from North America, given the general territories represented by the invitation mailing list. Note that >25% of responses (over 100) were received from very large organizations with a known multi-national or global presence.

Survey demographics show that respondents represent a diverse cross-section of industries and organization sizes. The survey responses are not intended to represent the types of PMOs found across all industries, however the large sample and the source of the invitation list leads us to believe that these responses are representative of respondents PMO assessments within North American knowledge-worker environments in technology-based service sectors. This includes industries such as insurance, finance, healthcare, IT-related concerns, product development, engineering services, consulting, government agencies, etc.

Comparatively few responses were received from traditional physical project sectors such as construction, aerospace, transportation, energy and defense, which tend to face a different set of business challenges, PMO definitions and objectives, and as such, were not the primary area of interest of this survey.

Within this report, trends that are identified without supporting statistical analysis are referred to as "directional". Trends that have a statistical basis are referred to as "significant".

II. DEMOGRAPHICS

A. Responses by Industry and Role

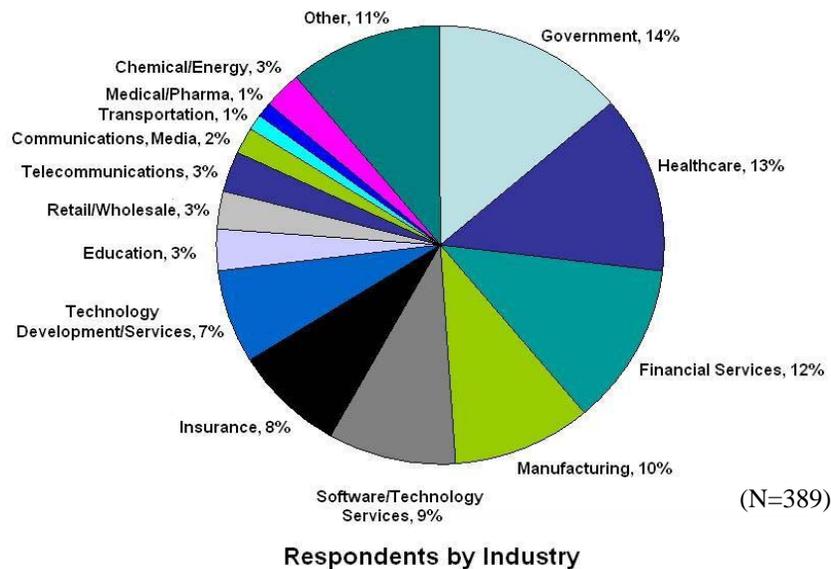


Figure 1 - Breakdown by Industry of Survey Responses

Figure 2 below provides a breakdown of individuals that responded to the survey. Respondents were evenly split between those directly involved with the PMO (PMO sponsors, managers and staff; 51%), and constituents of the PMO (project managers, functional managers, and others; 49%). Responses were compared between these two major groups to ensure results were not skewed based on the differing perspectives of those responding – the pattern of responses tracked very closely between the two groups for every question except for one logical exception: the “PMO constituents” group tended to more heavily represent the 29% of organizations who responded that a PMO had not been established (17%) or that the PMO was in development but not yet functional (12%; refer to Figure 11 for more information).

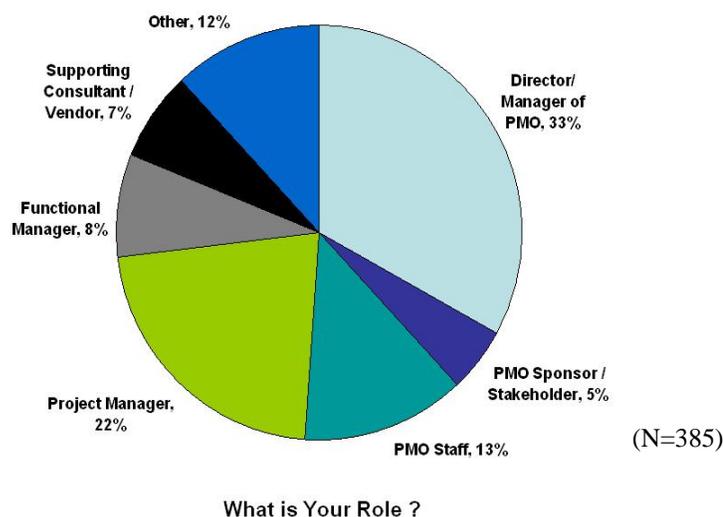


Figure 2 - Breakdown of Respondents by Role

B. PMO Organization and Structure

Survey respondents represent a wide variety of PMO types and structure. As shown in Figure 3, a little over half (54%) of PMOs operate as a unique entity within their organizations, while the remaining respondents have some combination of multiple PMOs that are operating independently (24%), are organizationally aligned (12%), or are based on the division of PMO functional responsibilities (10%).

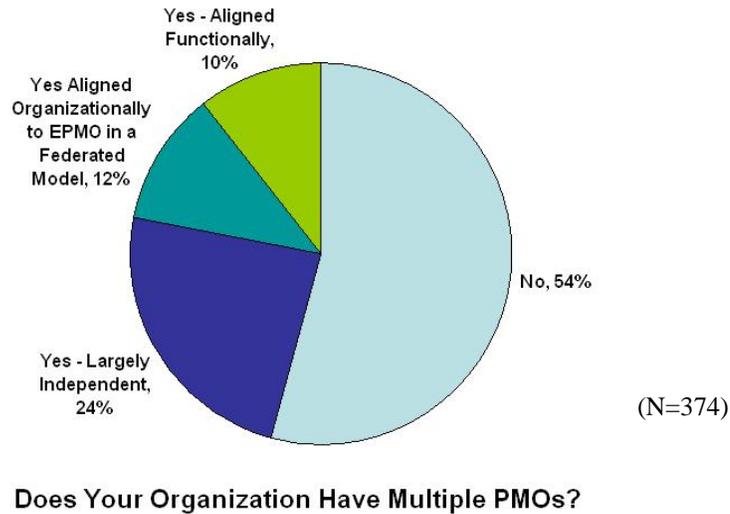


Figure 3 - Breakdown of PMO Type by Single vs. Multiple

As expected, the prevalence of multiple PMOs generally tracks with the size of the parent organization it serves. For example only 13% of smaller organizations (those with less than 1000 total staff) had multiple PMOs, while this was understandably a more common arrangement (63%) in organizations with over 10,000 employees. Among these very large organizations, three-quarters of the PMOs that ranked their performance as either Outstanding or Very Good also had multiple PMOs as a means of serving a large and diverse constituency.

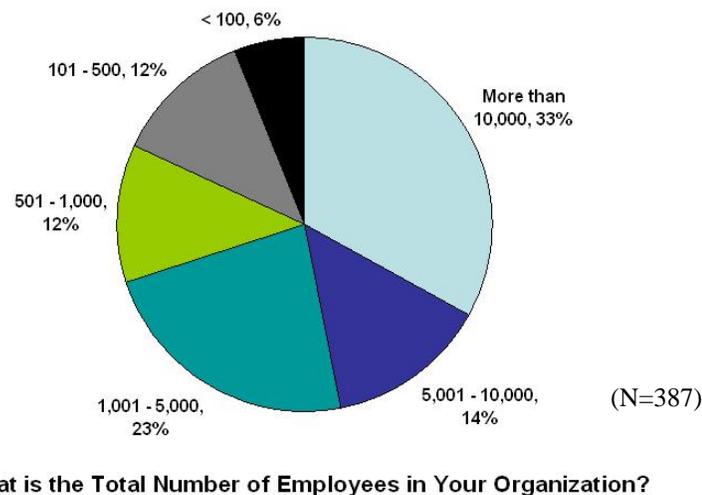
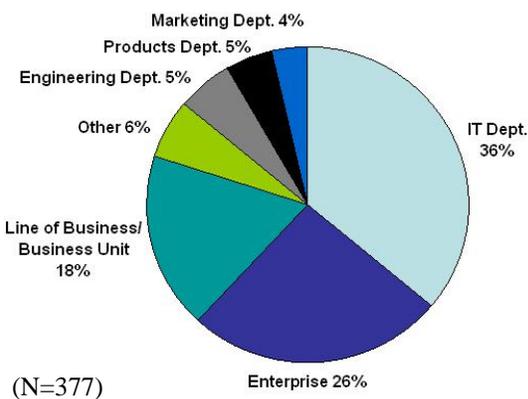


Figure 4 - Breakdown by Total Size of Respondent Organizations

Survey results were compared by three size categories: Enterprise (over 10,000 total staff), Mid Market, and Small (less than 1000) as part of response analysis and validation. With few exceptions, question response patterns were consistent across these size groupings, with most answers varying by only a few percentage points of each other. In circumstances where larger deviations were noted, the differences appeared logical and expected; for example, larger organizations are more likely to have robust processes and a greater need to manage technology using more formal standards compared to small ones. Conversely, the PMO is more likely to report to the CEO in smaller organizations. A conclusion from this comparison check indicates that questions regarding PMO performance, process maturity and the presence and impact of operational challenges (all covered later in this report) showed little sensitivity to differences in organization size, so separate findings by size are not provided in this report.

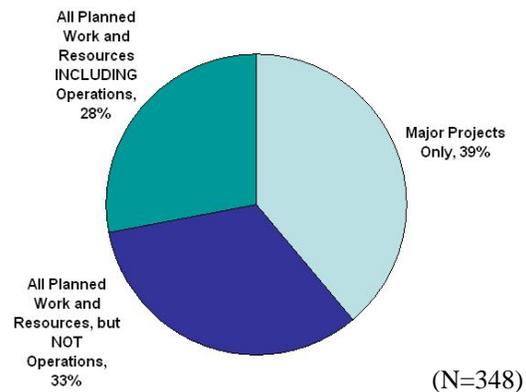
C. Scope and Span of PMO Services

Respondents reported that the PMOs they represent include a broad span of services and responsibilities, from the Enterprise (EPMO) to those serving various departments and business units. As shown in Figure 5 below, little more than one-third (36%) of respondents reported that their PMOs serve IT departments, while 44% of respondents reported that their PMOs operate at the higher levels of the parent organization (across the enterprise or in support of business units).



Service Span of PMO

Figure 5 - Service Span of PMOs



General Scope of PMO Responsibilities

Figure 6 - General Scope of PMO Responsibilities

A target area of interest of this survey is the scope of PMO responsibilities in terms of the span of work they coordinate and enable. The PMO has historically been considered to be limited to supporting projects, or groups of projects arranged in programs or as project portfolios. As noted in Figure 6, survey data indicates this commonly accepted definition of PMO scope is now in the minority. The fundamental basis of the PMO 2.0 concept is that the modern PMO is extending its services to include a much broader scope of work and general business management functions, in line with a "center of excellence" model.

Survey results in Figure 6 bear this out, with the majority (61%) reporting that they are actively involved in supporting all planned work activities and supporting resources, while 28% include level-of-effort, operational work and its assigned staff in their scope of interest. This aligns with (and further verifies) the growing trend in technology service sectors

operating in a matrix structure to adopt an integrated work and workforce management approach.

The survey also asked about the scope of functions being performed by the PMO in detail, offering 38 common functions in five specific categories to choose from, with results as indicated in Figure 7. The responses indicate that today's PMO is diverse in its overall scope of services.

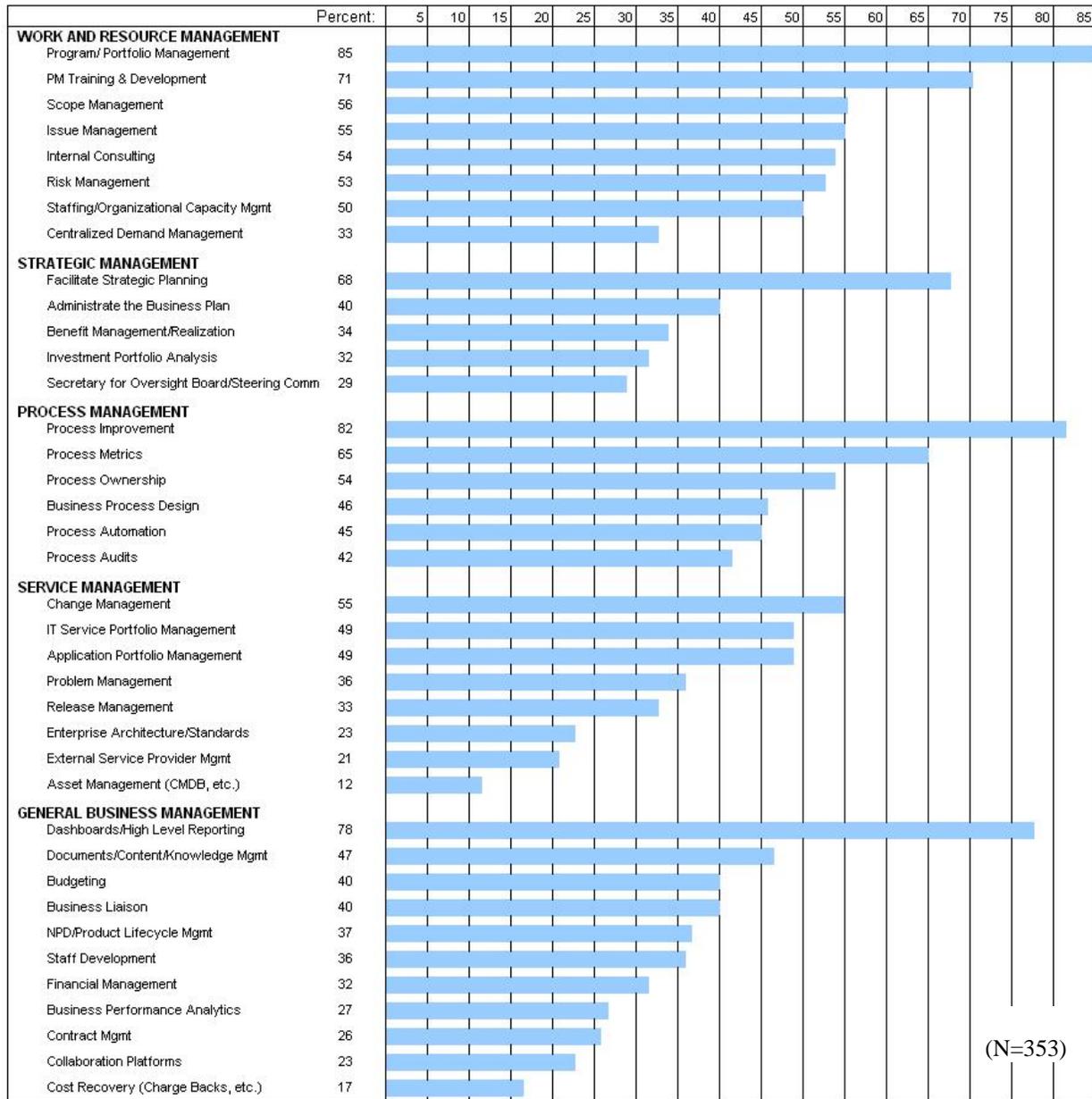


Figure 7 -Scope of PMO Involvement in Functions Provided

Among the functions listed and reported results, several are notable in that they offer additional insights into the expansion of scope of the modern PMO. In particular, a high percentage (68%) of respondents reported that their PMOs are actively involved in the strategic planning process, while 40% reported that the PMO administers the business plan for the organization being served. PMOs are also actively involved in process management

functions, which are further explored in Section III of this report, Process Maturity and Performance.

The number of PMOs involved in IT Service Management is also higher than expected, indicating the majority of IT PMOs are taking an active role in operational aspects of technology service delivery. Bear in mind that only 36% of PMOs in the survey identified themselves as specifically serving IT as shown in Figure 5, yet over 55% of PMOs reported that they are supporting Change Management, and 49% are involved with both IT Service Management and Application Portfolio Management (ref. Figure 7); an indicator that some 'business side' PMOs are actively involved in supporting technology management functions.

Providing dashboards and other forms of high level reporting is an almost universal function, as noted by 78% of PMOs reporting that they provide this service. This is further supported by the fact that this area is the number one planned PMO improvement area slated for 2009 (ref. Section VI, Planned 2009 PMO Initiatives).

D. PMO Line of Reporting, Naming, Staffing, and Tenure

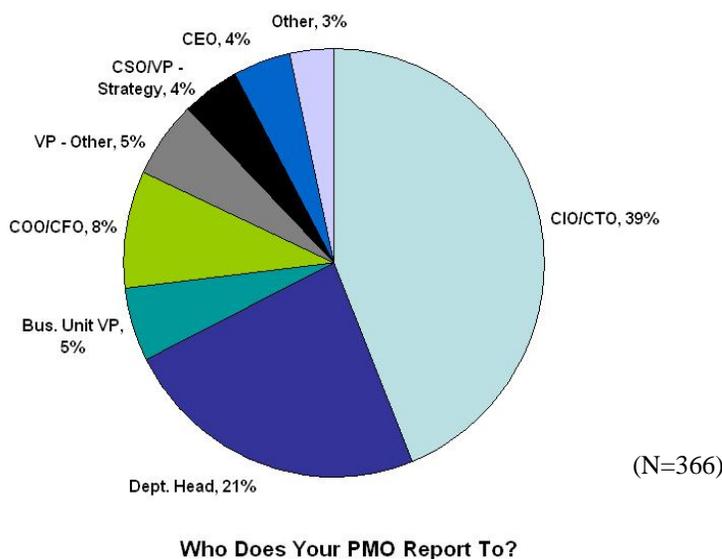


Figure 8 -PMO Lines of Reporting

The survey yielded a wide range of line of reporting for the PMO as shown in Figure 8, which further reflects the diversity of PMOs participating. The number of PMOs aligned to the CIO or CTO (39%) is generally consistent with those reporting their PMO constituents being IT in Figure 5 (36%). Collectively, over half of the PMOs participating in the survey (55%) report to a C-level executive (CIO/CTO included), while another 10% answer directly to a vice president.

While one might suspect that PMOs reporting to higher levels of the organization may tend to focus more exclusively on capital projects, the general span of PMO functions (Projects Only, All Planned Work, or Planned Work and Operations) was uniformly distributed regardless of the PMO line of reporting.

A free text field was provided in the survey for participants to respond to the question, "How is your "PMO" Organization Titled?" Despite the extended capabilities of these organizations, the overwhelming majority of respondents indicated that the naming convention remains as some variation of "PMO", often with organizational prefixes or some other added descriptor. As expected, the "P" took on different meanings, including "Project," "Program" and less often, "Portfolio." Relatively few organizations chose to adopt some form of a "center of excellence" title or other significant departure from the norm.

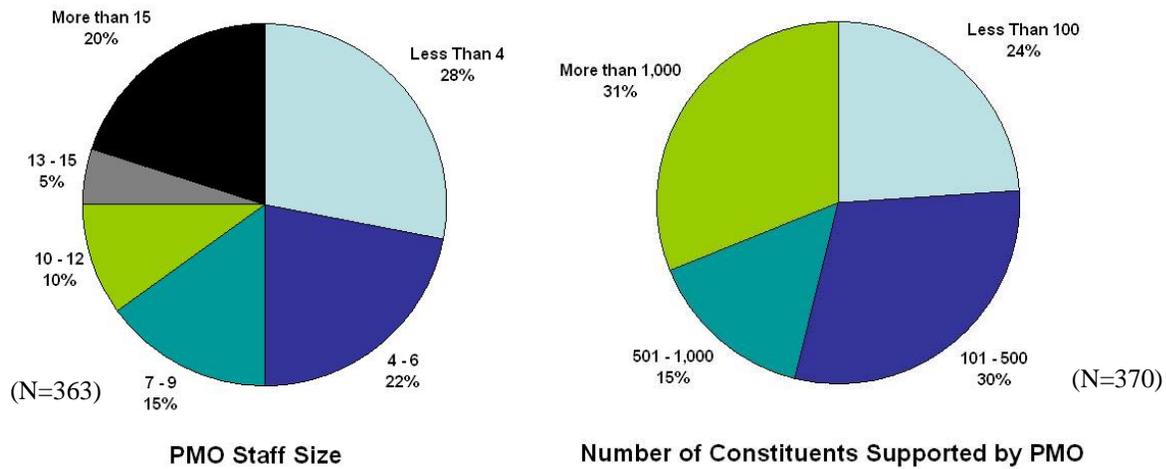
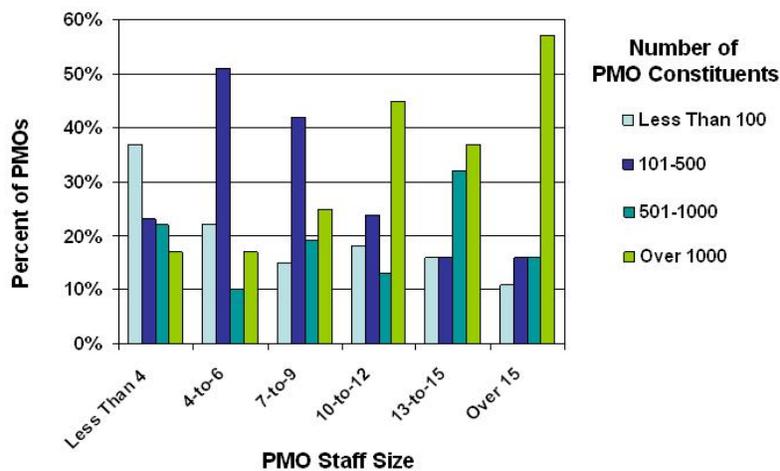


Figure 9 - PMO Staffing and Number of Constituents

Both PMO staff size and the number of constituents they support covered a wide range. The survey did not ask specifically whether project managers reported to the PMO or not, and if so, what percentage. It is assumed that responses regarding PMO staff size were limited to those individuals actively engaged in general PMO duties rather than including those functioning as a project manager for specific projects. The number of functions being performed by the PMO (ref. Scope of PMO Involvement in Functions Provided, Figure 7) was relatively consistent regardless of staff size; on average 15 functions were being provided per PMO. As one might expect, as the number of constituents increases, the increase in PMO staff generally tracks with it, as shown in Figure 10.



PMO Staff Compared to Number of Constituents Served

Figure 10 - PMO Staffing Relative to the Number of Constituents

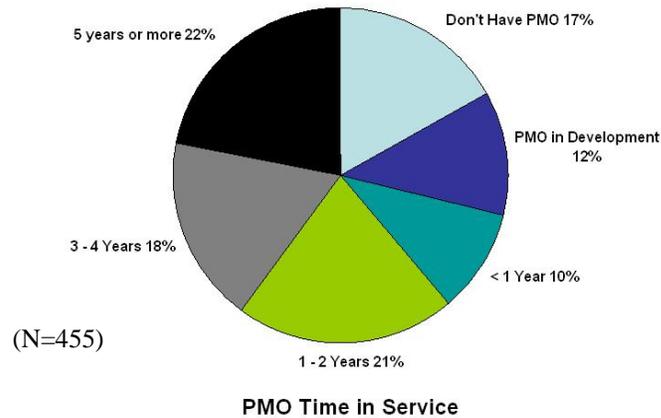


Figure 11 - PMO Time in Service

As shown in Figure 11, responses regarding PMO time in service showed a fairly even distribution across the range of options offered. While responses are shown here in its raw form for basic demographic purposes, additional analysis regarding PMO time in service and staff size relative to Process Maturity and PMO Performance is provided in subsequent sections.

III. PROCESS MATURITY AND PERFORMANCE

A. Self-Assessed Process Maturity

Each respondent was asked to identify the general process maturity level of their organization based on one of the following options:

- Level 1 – Most Business Processes are informal or undefined
- Level 2 – Most Business Processes are defined, but not well adopted
- Level 3 – Most Business Processes are defined, repeatable and followed
- Level 4 – Most Business Processes are aligned and have performance measures
- Level 5 – Most Business Processes are optimized and continually improved based on their performance

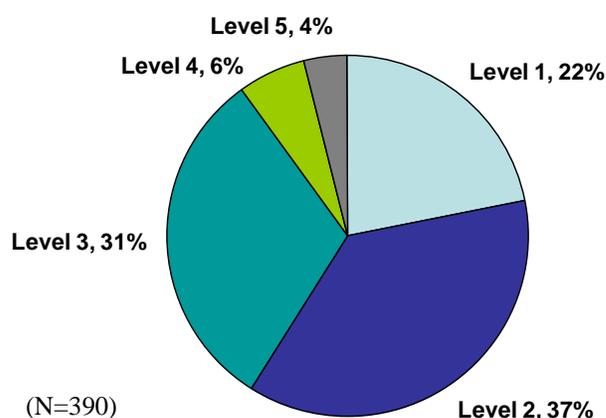


Figure 12 - Reported Process Maturity Levels - All Respondents

(Note: because of the comparatively small percentage (10%) of respondents reporting very high levels of process maturity, Level 4 and Level 5 respondents were combined into a single group for further analytical and reporting purposes.)

Several variables were compared with reported levels of process maturity, including industry, PMO span of functions, time in service, and its level of involvement with process management activities. Besides a directional relationship with the level of PMO performance (more on that in the subsequent section), there was also a directional relationship between process maturity levels and the extent that the PMO is responsible for process ownership, design, improvement, metrics and audits; collectively, the discipline of process management. These relationships are further explored in this section and subsequent sections of the report.

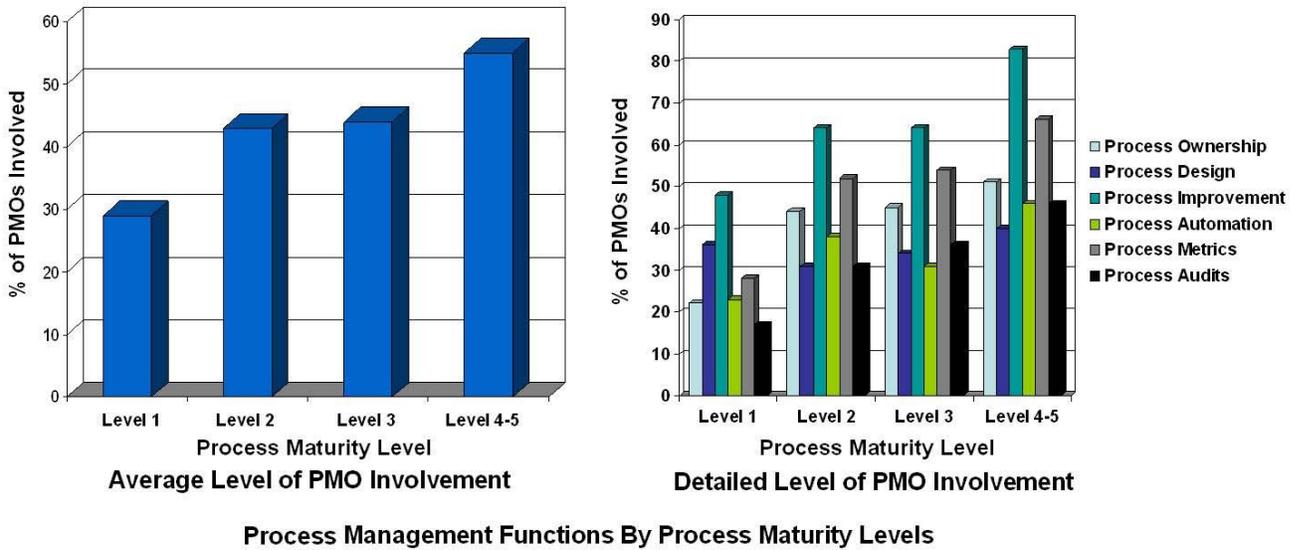


Figure 13A and B - Process Maturity Levels Relative to PMO Involvement with Process Management

Figures 13A and B show a directional trend between increased levels of process maturity and the percentage of PMOs involved in process management. Those reporting Level 1 process maturity indicated an average of only 29% of PMOs involved in process management functions, while organizations with maturity Levels 2 and 3 indicate an average of 43% and 44% PMO involvement respectively. Those reporting maturity levels of 4 or 5 have PMO involvement levels in process management at an average of 55%. Note that even though the PMO is less often responsible for ‘owning’ processes, there is a steady increase in process maturity levels as the majority of PMOs become actively involved with process improvement and process performance measurement activities.

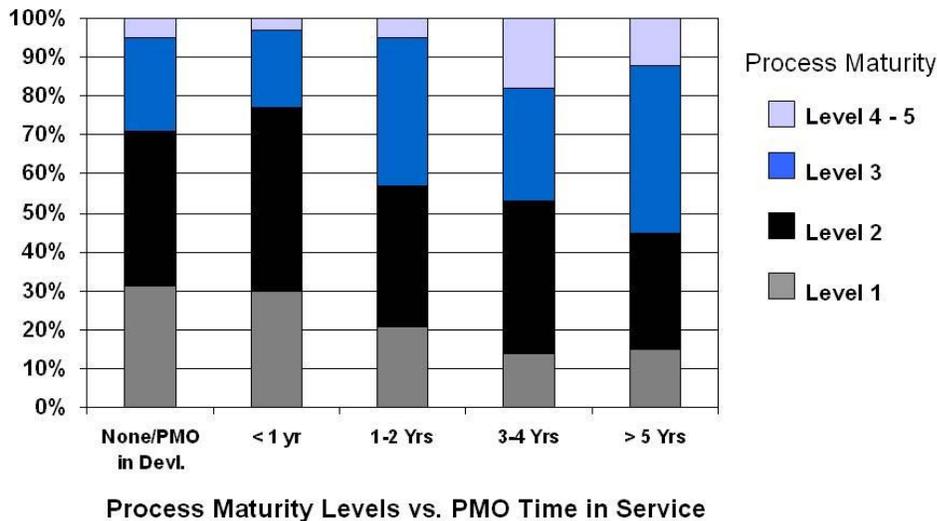
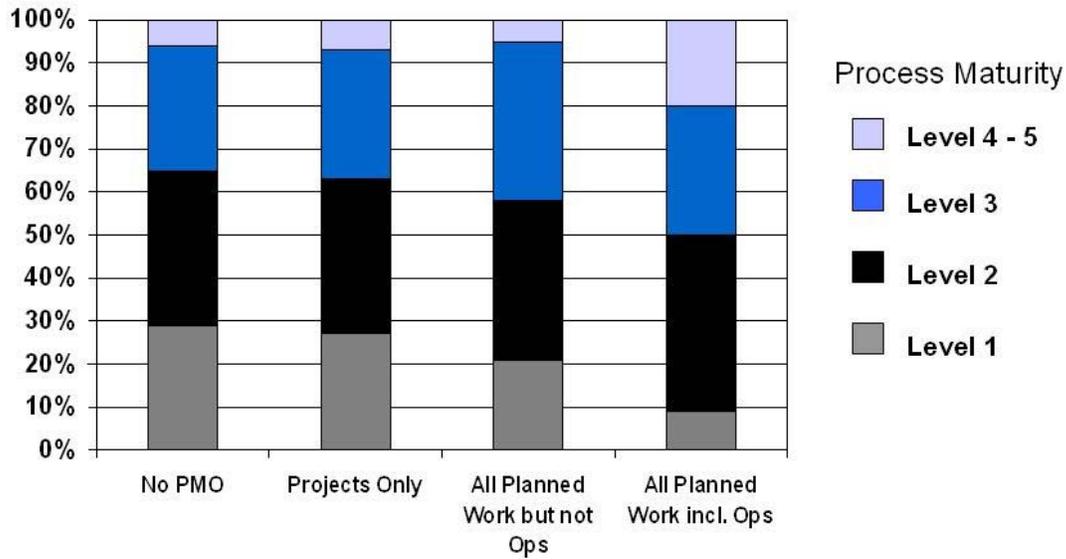


Figure 14 - Levels of Process Maturity based on PMO Time in Service

Similarly, as noted in Figure 14, as PMO time in service increases past the one year point, average process maturity levels steadily increase compared with organizations without a PMO or those still in development. Note that for organizations with a PMO that has been in place for over 5 years, 56% report maturity levels at 3 or higher.



Process Maturity Levels vs. PMO Scope

Figure 15 - Process Maturity relative to Scope of PMO Work and Resource Management

As shown in Figure 15, the average level of process maturity also increases as the general scope of the PMO for work and resource management is extended. In organizations where a PMO is not present or when a PMO is focused exclusively on projects, low process maturity levels (1 or 2) were reported by 64% of respondents. The percentage of organizations reporting higher levels of process maturity (level 3 or above) increases as the PMO extends its focus to all planned work, or includes all planned work as well as operations in their scope.

B. Types of Processes Being Employed

As shown in Figure 16, in the area of work planning, well-established project management methodologies such as those represented by the Project Management Institute (PMI) and classic waterfall techniques remain most prevalent in terms of adoption. While not charted, 74% of respondents report being members of PMI, while 56% hold a Project Management Professional (PMP) certification, and 23% belong to the PMI PMO Specific Interest group (SIG).

Leading-edge techniques for planning and managing technology work such as Agile and Scrum are on the rise, as indicated by the comparatively high level of organizations reporting that they have them under evaluation at 22%. Note also that the UK-based PRINCE2 project management methodology is also being evaluated by more organizations compared to the historically small number that have actually employed it outside of Great Britain. PRINCE2 is likely receiving more attention as more organizations adopt ITIL for IT service management, given that both are the creation of the British Office of Government Commerce (OGC). Stage-Gate techniques are also receiving consideration as formal project management practices and PMOs are employed for product development.

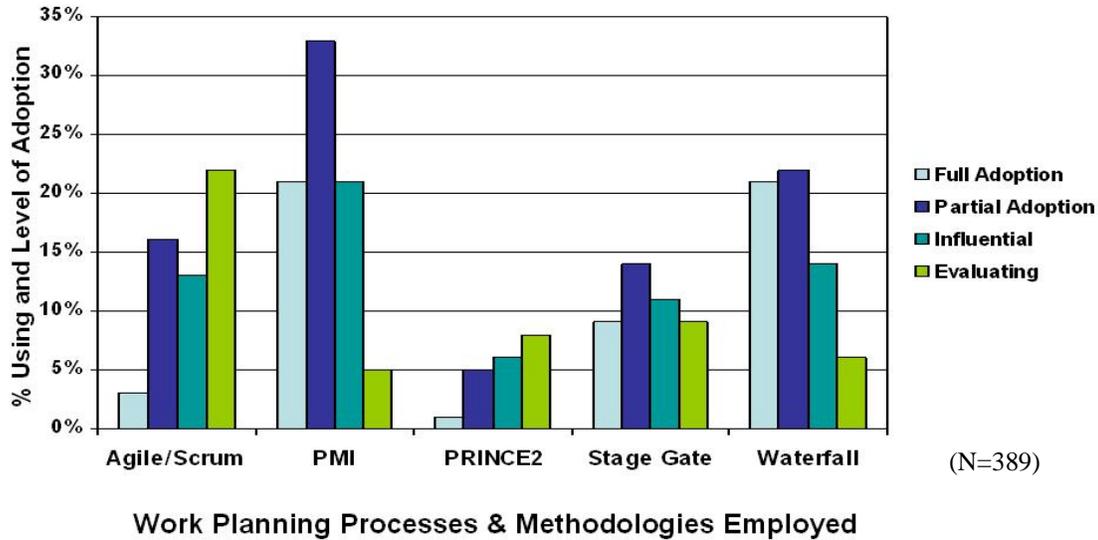


Figure 16 - Detail of the Scope of PMO Functions Provided

In the area of IT Service Management (ITSM), the IT Infrastructure Library (ITIL) is the clear leader when compared to the Microsoft Operating Framework (MOF) in terms of adoption, as shown in Figure 17, with 19% of survey respondents reporting holding some level of ITIL certification. Note that the disparity between the two methodologies is less dramatic when it comes to the number of respondents that are evaluating ITSM options. Note the level of partial adoption of ITIL; anecdotally, organizations just getting started with a formal IT service management initiative have remarked that the imposing nature of ITIL has caused them to implement only portions of it (i.e., Problem Management or Incident Management), as well as consider other options and approaches. As a reference point, recall that 36% of respondents have a PMO specifically supporting IT (ref. Figure 5).

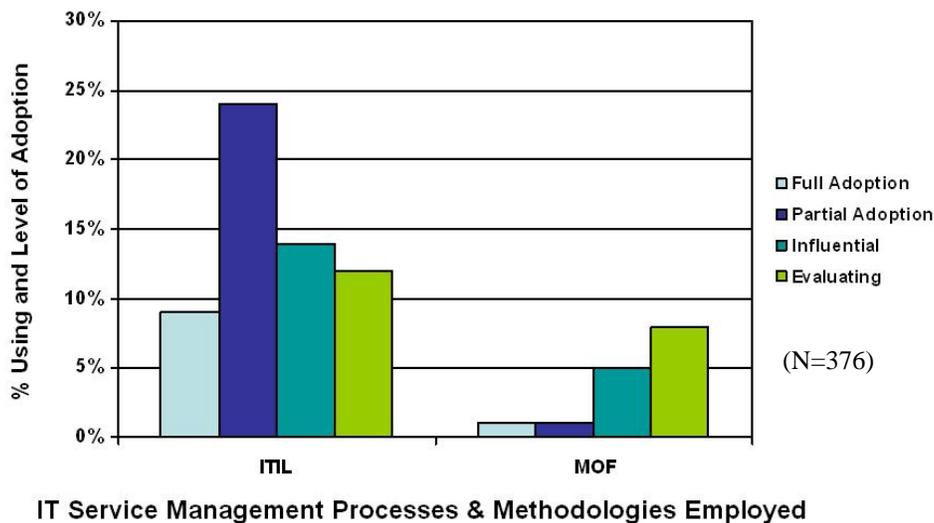
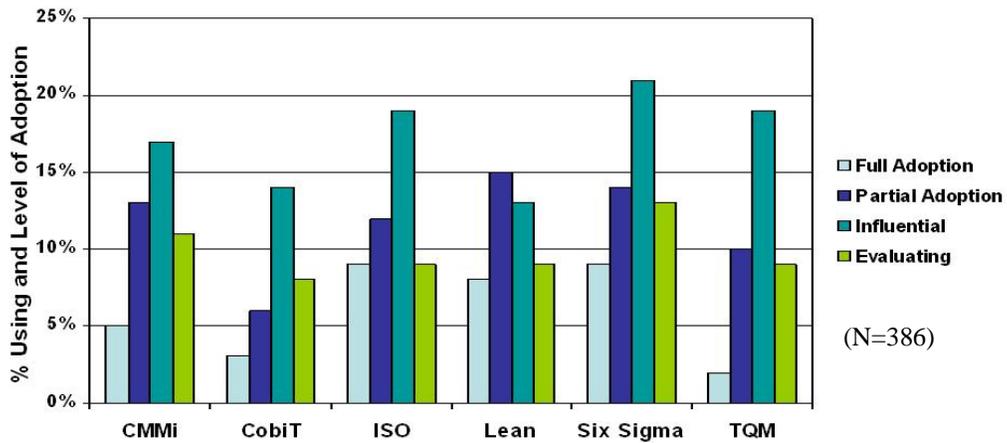


Figure 17 - IT Service Management Methodologies: ITIL vs. MOF

As shown in figure 18, processes, standards and methodologies being used or considered for quality, governance and compliance were distributed relatively evenly across the options

provided to survey respondents, with Six Sigma representing a slight edge in level of adoption and overall interest.



Quality, Governance and Compliance Processes & Methodologies Employed

Figure 18 - Adoption Rate of Quality, Governance and Compliance Approaches

IV. OPERATIONAL CHALLENGES

To assess the operational challenges faced by the PMO, respondents were asked to identify the presence and relative impact of 33 commonly reported challenges to both the PMO and organizations in general. Challenges were grouped into four categories, as follows:

Organizational Challenges

Lack of PMO Sponsorship
 Interdepartmental Politics
 Management Resistance
 Departmental Silos
 Unclear Expectations
 Changing Expectations
 PMO Placement in Organization
 Organizational Maturity
 Organizational Alignment
 Inadequate Resources
 Lack of Accountability
 Staff Turnover/Reassignment
 Inadequate PMO Staff
 Lack of Training or Skills

Technology Challenges

Metrics and Reporting
 Ineffective/Obsolete Tools
 Lack of Infrastructure

Process Challenges

Undefined Strategy
 Undefined Investment Process
 Uncontrolled Demand
 No/Poor Priorities
 Lack of Formal Processes
 Ineffective Processes
 Process Compliance
 Process Complexity
 Incomplete Requirements
 Financial Management
 Knowledge Management
 Communications

Situational Challenges

Dynamic Business Environment
 Merger and Acquisition Convergence
 External Influences
 Emerging/Disruptive Issues

For each of the challenges noted, respondents selected the best response from the following options:

- Critical Problem (= 1)
- Significant Challenge (= 2)
- Minor Issue (= 3)
- Not a Problem (= 4)
- Not applicable (N/A)

A. Measuring the Impact and Rate of Occurrence and Challenges – About the Dashboards

In order to better facilitate analysis of challenge data, responses were assigned numerical values of 1 through 4, as noted above. If a particular response was marked N/A or left blank, that response was omitted from the population used for average calculations. This was done to allow a dashboard approach to be taken to help visualize and make sense of a large set of complex data. Value ranges were color coded as shown on the legend of each dashboard. The threshold points were set to reasonably reflect both the seriousness of selection descriptions and the overall range of responses received. The numeric values applied to these options, and calculations based on these values, should not be interpreted to have statistical relevance, but should be used to illustrate relative values in distribution of the responses.

Note that the 1-4 range can be deceptive when assessing differences. For example, there is less than a 0.75 point difference between a majority of respondents reporting a challenge as

“Significant” versus “Minor”, however the functional implications could have a potentially serious operational impact.

In addition to calculating the average impact of a challenge, the sensitivity of this overall score to the frequency of occurrence was also assessed. This was accomplished by calculating the percentage of respondents reported a condition as having a major impact (defined as either a ‘Critical Problem’ or ‘Significant Challenge’). For example, the average impact score of Departmental Silos was 2.24, and this issue was noted as a Critical Problem or Significant Challenge by 66% of respondents as the frequency of major occurrence. Composite results of all respondents are depicted on Figure 19.

B. Composite Challenge Dashboard

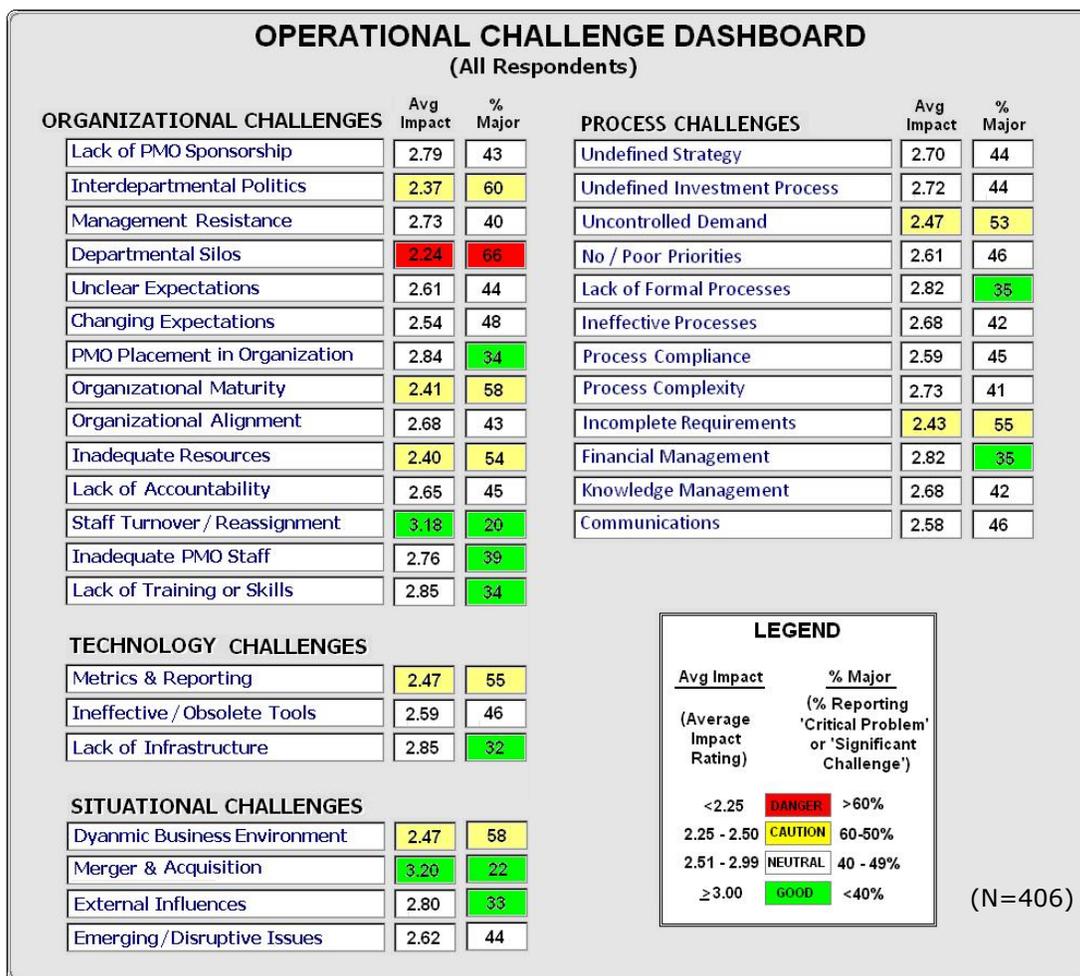


Figure 19 - Detail of the Scope of PMO Functions Provided

Information regarding the types and severity of challenges yields only limited insights when averages are taken at face value for all respondents. As seen on the composite dashboard above, only the prevalence and impact of department silo’s falls into the danger zone, with 66% of all respondents flagging this is a critical issue or significant problem. Seven other challenges emerge as areas of concern, including Interdepartmental Politics, Organizational Maturity, Inadequate Resources, Uncontrolled Demand, Incomplete Requirements, Metrics and Reporting, and a Dynamic Business Environment.

C. The Relationship between Challenges and Process Maturity

In order to further analyze responses, the impact and prevalence of challenges were compared against several other parameters. When compared with reported levels of process maturity, a strong correlation is evident between the two, as shown in Figure 20.

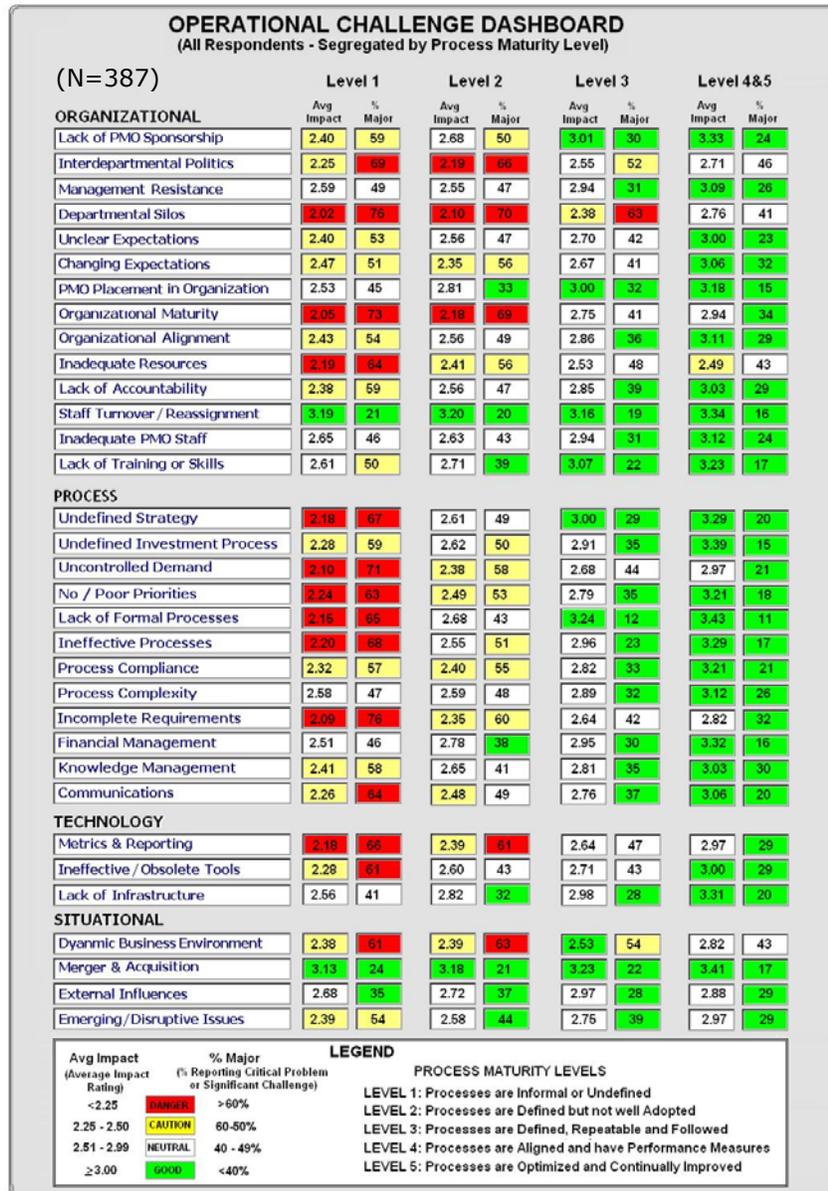


Figure 20 - Composite Operational Challenge Dashboard by Maturity Level

While one would logically expect to see a correlation between challenges in the process category and the reported level of process maturity, the impact and rate of occurrence of organizational, technology and situational challenges also closely track with reported levels of process maturity. Additional information regarding challenges is provided in conjunction with PMO Effectiveness in Section V of this report.

D. Challenges by Industry Sector

Using the same assessment standards and scoring approach, challenge data was analyzed by Industry to determine if a particular sector represented a major shift in the frequency and impact of operational issues. The impact of specific challenges for the seven industry sectors that represented at least 5% of the total respondent population (Ref. Figure 1) are shown on the dashboard in Figure 21.

OPERATIONAL CHALLENGE DASHBOARD (Segregated by Major Industry)								
(N=270)	Avg Impact	Fin. Svcs	Gov't	Health	Ins.	SW / Svcs	Tech Devl.	Manuf.
Industry Average:	2.81	2.69	2.73	2.69	2.74	2.78	2.67	
Lack of PMO Sponsorship	3.00	2.79	3.38	3.00	2.76	2.80	3.06	
Interdepartmental Politics	2.49	2.42	2.48	2.30	2.35	2.40	2.50	
Management Resistance	2.82	2.77	2.93	2.64	2.94	2.88	2.82	
Departmental Silos	2.43	2.24	2.32	2.21	2.56	2.48	2.15	
Unclear Expectations	2.87	2.52	2.72	2.19	2.59	2.84	2.63	
Changing Expectations	2.77	2.66	2.57	2.19	2.71	3.00	2.63	
PMO Placement in Organization	3.16	3.06	3.21	2.81	3.29	2.88	2.85	
Organizational Maturity	2.51	2.40	2.38	2.36	2.74	2.60	2.34	
Organizational Alignment	2.93	2.69	2.67	2.66	2.74	2.64	2.76	
Inadequate Resources	2.67	2.56	2.23	2.33	2.62	2.48	2.54	
Lack of Accountability	2.84	2.85	2.71	2.58	2.88	2.36	2.60	
Staff Turnover / Reassignment	3.27	3.35	3.23	3.30	3.18	3.12	3.28	
Inadequate PMO Staff	2.39	3.00	2.90	2.82	2.76	2.76	2.76	
Lack of Training or Skills	2.84	2.75	3.02	2.79	2.88	3.08	2.88	
Undefined Strategy	3.02	2.54	2.66	2.73	2.35	3.00	2.89	
Undefined Investment Process	3.05	2.59	2.90	3.12	2.65	2.92	2.97	
Uncontrolled Demand	2.73	2.31	2.31	2.55	2.59	3.04	2.54	
No / Poor Priorities	2.82	2.57	2.52	2.55	2.71	2.72	2.64	
Lack of Formal Processes	3.02	2.62	2.90	2.85	2.97	2.56	2.64	
Ineffective Processes	2.84	2.63	2.71	2.79	2.82	2.56	2.60	
Process Compliance	2.78	2.48	2.58	2.55	2.76	2.60	2.56	
Process Complexity	2.76	2.65	2.65	2.39	2.68	2.96	2.61	
Incomplete Requirements	2.52	2.42	2.48	2.27	2.65	2.76	2.20	
Financial Management	2.84	2.98	2.63	3.05	3.00	2.72	2.82	
Knowledge Management	2.71	2.75	2.67	2.85	2.79	2.76	2.61	
Communications	2.82	2.38	2.77	2.55	2.71	2.60	2.44	
Metrics & Reporting	2.60	2.25	2.44	2.55	2.44	2.76	2.26	
Ineffective / Obsolete Tools	2.53	2.46	2.81	2.61	2.59	2.80	2.42	
Lack of Infrastructure	2.98	2.96	3.02	2.79	2.62	2.88	2.77	
Dyanmic Business Environment	2.69	2.61	2.58	2.79	2.41	2.72	2.49	
Merger & Acquisition	3.31	3.08	3.45	3.79	3.24	3.48	3.23	
External Influences	2.96	2.80	2.75	3.00	2.68	2.80	2.89	
Emerging / Disruptive Issues	2.89	2.63	2.67	2.79	2.74	2.76	2.65	

Figure 21 - Impact of Challenges by Industry Sector

V. PMO EFFECTIVENESS

Each respondent was asked to judge their PMO effectiveness against one of the following options:

- **Outstanding:** Considered core to the business; continually expanding capabilities and scope
- **Very Good:** Meeting all objectives with wide organizational support
- **Good:** Meeting most business objectives and actively sponsored
- **Fair:** Meeting some mission objectives but struggling with others; weak sponsorship
- **Poor:** Not meeting objectives; may be dissolved

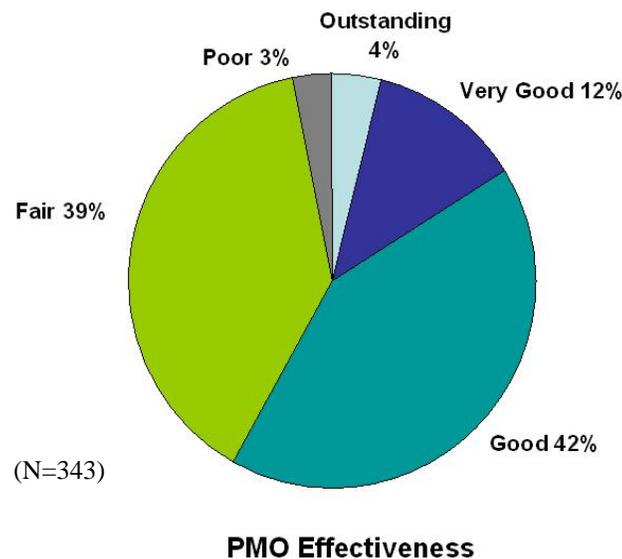


Figure 22 - Self Assessed PMO Effectiveness of Respondents

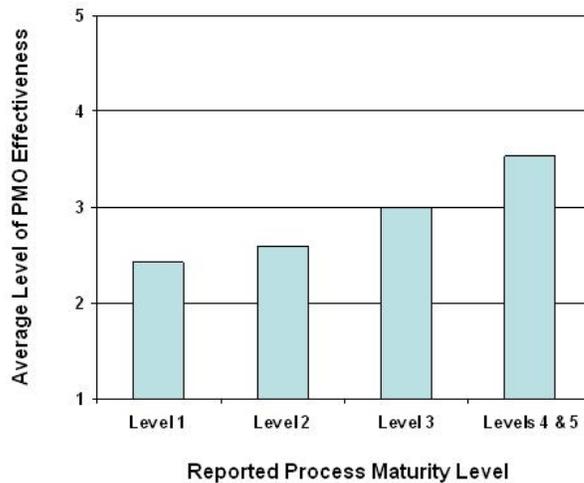
As shown in Figure 22, 58% of responses from those organizations with PMOs ranked their PMO performance positively (Good or better). As a point of general comparison, Forrester Research conducted survey in July 2007 that included data from 233 decision makers focusing on IT, where only 47% of organizations had a PMO. For those who did, PMO effectiveness was ranked Very Effective by 35%, Somewhat Effective by 58%, Somewhat Ineffective by 6%, and Very Ineffective by 1%.

In order to quantify the PMO Effectiveness responses in this survey for scoring and comparison purposes, choices were given numerical values, with 5 equating to Outstanding, and 1 representing Poor.

A. Analyzing Relationships with PMO's Effectiveness

Responses were correlated with several other variables that could have a potential influence on PMO performance, including: time in service, process maturity, scope of functions provided, the type of PMO, line of reporting, volume and types of challenges noted, number and type of functions being performed, PMO staff size, etc.

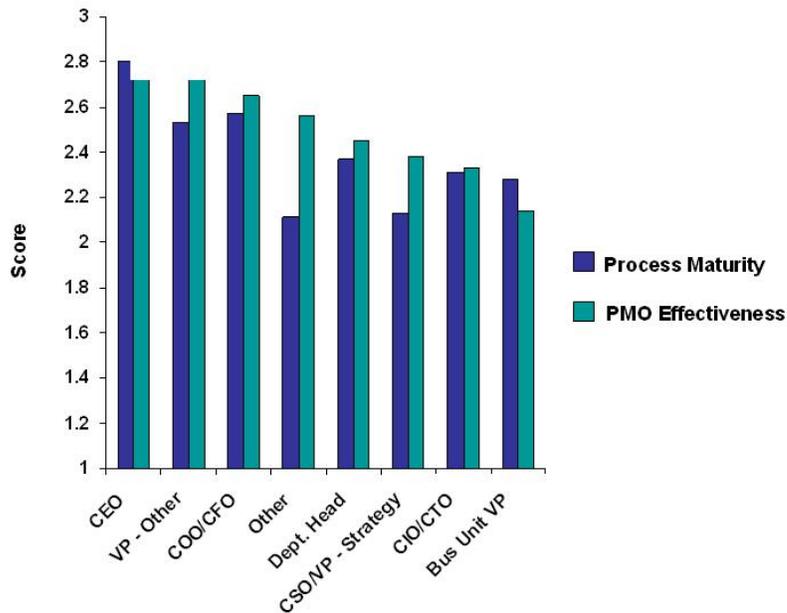
A strong directional trend exists between the reported level of Process Maturity and PMO Effectiveness as shown on the graph in Figure 23.



Process Maturity Levels Compared to PMO Effectiveness

Figure 23 - Correlation between Reported Levels of Process Maturity and PMO Effectiveness

As an additional point of reference, note that about 20% of respondents provided an assessment of their process maturity but either did not rate their PMO performance or indicated that their PMO was not yet operational or they did not have one. The reported average process maturity for this group was 2.07; effectively at Level 2.



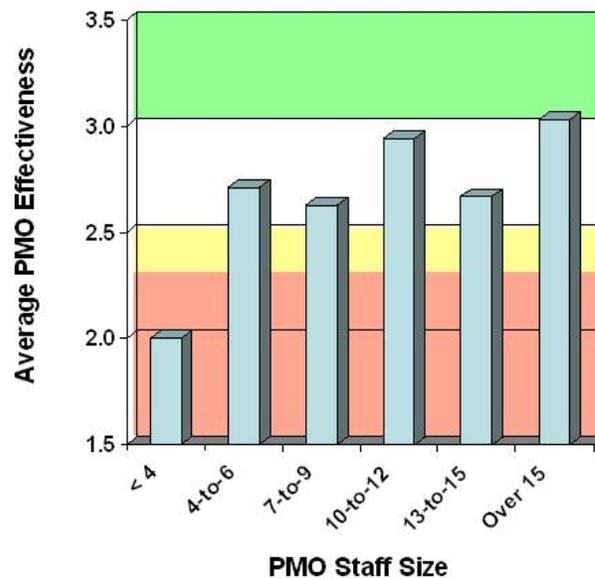
Process Maturity and PMO Effectiveness by Line of Reporting

Figure 24 - Correlations between Process Maturity Levels and PMO Effectiveness by PMO Line of Reporting

Reported values for PMO Effectiveness and Process Maturity were also compared to the Line of Reporting for the PMO, as shown in Figure 24. Those reporting directly to the CEO fared best overall.

B. The Impact of Staff Size and Time in Service on PMO Effectiveness

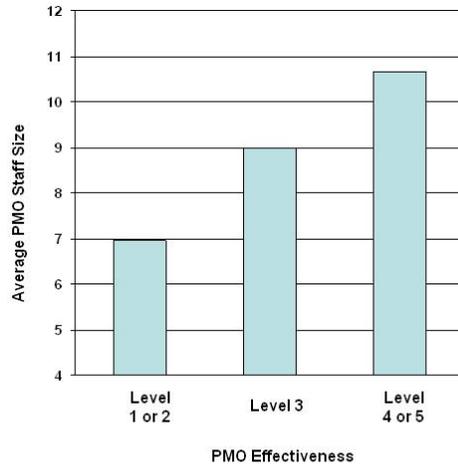
The size of the PMO staff compared with PMO Effectiveness yields some interesting information. Comparing the data as shown in Figure 25 from the perspective of the average PMO effectiveness for each size range option, one could potentially conclude from the results that a dedicated staff of at least four to six is needed for the PMO to operate at an effective level, yet increasing the size of staff from that point on yields little on its own in terms of additional effectiveness gains.



PMO Staff Compared to PMO Effectiveness

Figure 25 - Average PMO Effectiveness by Staff Size

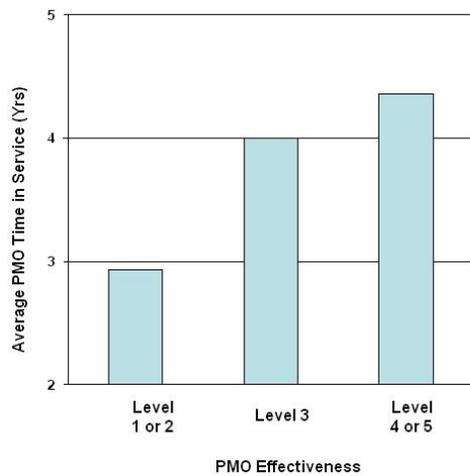
However, when the same data was analyzed with data grouped by PMO Effectiveness, and specific values were assumed and applied (<4 = 2, using the mid points of size ranges, and Over 15 = 18) to derive a numerical average, PMO staff size steadily increases as PMO effectiveness levels increase, as shown in Figure 26.



Average Staff Size by PMO Effectiveness

Figure 26 - Average Staff Size by PMO Effectiveness Level

Similarly, average PMO Time in Service also increases relative to PMO Effectiveness level.

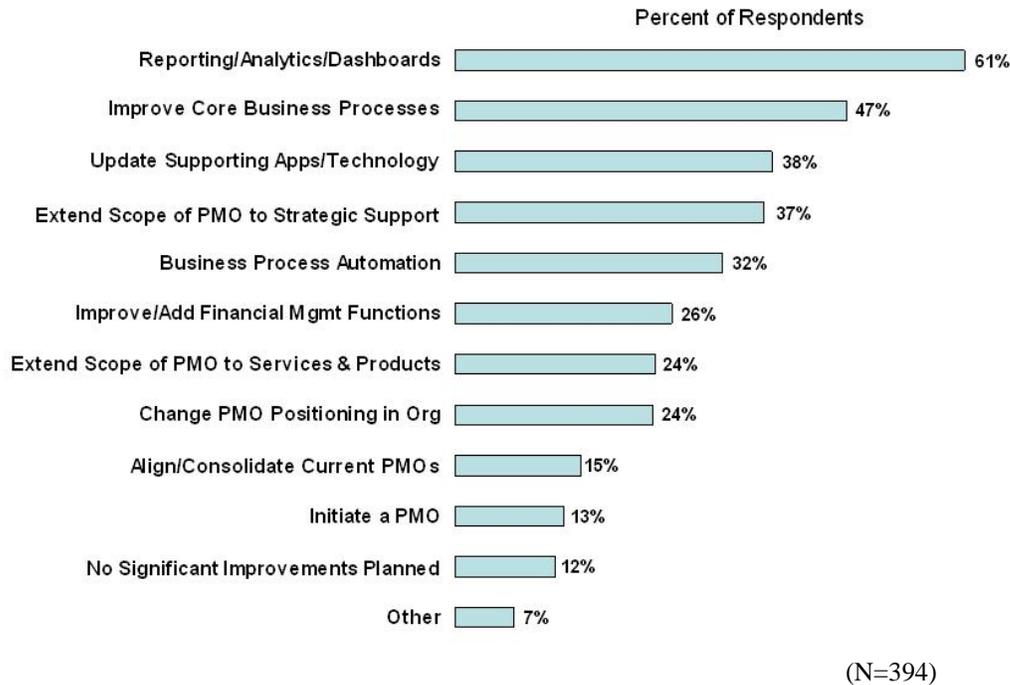


Average Time in Service by PMO Effectiveness

Figure 27 - Average PMO Time in Service by PMO Effectiveness Level

VI. PLANNED 2009 PMO INITIATIVES

The survey coincided with the start of the fourth quarter of 2008, traditionally a point when organizations begin actively planning for the next calendar year, respondents were asked to select one or more of twelve options provided regarding PMO improvements planned for 2009; results are shown in Figure 28.



Planned 2009 PMO Improvement Initiatives

Figure 28 - Correlations between Process Maturity Level, and PMO Staffing

Respondents identified an average of 3.4 improvements per PMO were planned for 2009. However, given that this survey was completed prior to the Q4 2008 economic downturn, discretionary initiatives such as those listed may have since been impacted by changes in financial forecasts and business priorities. With respect to the top initiatives listed, it is not surprising to find that their popularity aligns closely with the functions most often performed by PMOs (reference Section II, Figure 7). For example, providing dashboards and high level reporting, making process improvements and strategic planning facilitation were the top three services offered by the PMO (behind program and portfolio management; considered the core PMO function).

Updating core applications and technology, listed third on the list of initiatives, as well as other top-ranked improvements, further support findings recently published by Intelligent Enterprise that "many analysts advise companies to deploy portfolio management software in order to identify projects that are most worth the effort and the expenditure. As a complement, analysts advise the use of project management applications to execute projects more efficiently."¹

¹ *Intelligent Enterprise*, December 10, 2008

VII. SUMMARY

The primary industry sectors represented in this study constitute a very challenging management scenario even under the best of circumstances. They are composed principally of knowledge worker professionals that are frequently arranged into groups with common specialized skills sets, sometimes globally distributed. Most of these workers must multi-task across many different assignments and types of work on a daily basis. This matrix structure requires a high level of collaboration between many different teams to create deliverables, each incrementally contributing to achieve an outcome of net business value. Added to the mix is a complex, fast-paced operational environment with fluid strategies and priorities.

Therefore, it comes as little surprise that results showed the greatest obstacles facing organizations are issues that are organizational, situational or process-related in nature. These are reflected by the challenge dashboards which include: departmental silos, interdepartmental politics, organizational maturity, inadequate resources, incomplete requirements, uncontrolled demand, and a dynamic business environment. The potential for these challenges to significantly disrupt productivity and overall effectiveness exists within any organization, and their effects reverberate through all other measures of performance. Survey results strongly suggest that a solid foundation of effective processes that are consistently followed allows an organization to shift from a reactive, crisis management stance to a position of control and proactive problem avoidance. With that in mind, how can an organization approach developing a network of effective processes?

A. PMO Objectives

The main incentive for putting a PMO in service is to help counter such issues in an effort to improve the collective effectiveness and efficiency of the organization. Regardless of its span or general scope, the unique objective of the PMO is to provide a group dedicated to supporting and integrating operations across organizational boundaries. This is accomplished by providing services that either mitigate or directly address the root cause of the challenges being faced. Thus, the typical PMO is expected to:

- Gather and distribute information
- Monitor, analyze and report performance
- Provide specialized business management expertise
- Facilitate communications, coordination and collaboration
- Identify, analyze and communicate significant issues and support their resolution
- Actively coordinate and manage complex activities across the organization
- Define, deploy, measure, and improve the enabling network of business processes

Compare these services with some of the most common PMO functions cited in the survey: dashboards and reporting; project, program and portfolio management; strategic planning; IT service and application management; change, scope, issue and risk management; management of documents, knowledge and other intellectual content; staff training; budgeting; and last but certainly not least, process improvement.

Together, these elements largely define how different parts of the organization interact with each other, as well as enable the free flow of information. All of this is necessary for decision support and to provide the essential building blocks of accountability. The next consideration becomes the extent to which these capabilities are employed.

B. The Scope and Span of PMO Services

The survey tends to corroborate that both the scope and span of service of the PMO is more broadly distributed than conventional accepted doctrine often indicates. Today's PMO is as likely to operate across a global enterprise or an entire business unit as a mechanism to comprehensively manage all planned work and resources, as it is to be confined to supporting a portfolio of major projects for a single department.

The PMO is becoming more engaged in integrated work and workforce management, as a means of obtaining a complete perspective of the organization and to effectively manage overall capacities that must be employed to innovate as well as maintain operations.

While this issue is better understood within Information Technology, the same challenges are ubiquitous to many other knowledge worker scenarios, as is the need for collaborate across different organizational units. As a result, the PMO is being mobilized to counter challenges in other parts of the organization, including product development, marketing, engineering services, etc. This is evidenced by PMO services either spanning or being employed by many different areas of the organization, as shown in Figure 5.

Basic work and workforce management addresses the day-to-day tactical aspects of business operations, but the same issues and needs are also present on a strategic level. The decisions made by the executives depend on an understanding of the current status of internal activities, risks, opportunities and challenges. Extending the capabilities of the PMO into higher level business management functions such as strategic planning (68%), facilitating the business plan (40%), and becoming involved in benefit management (40%) and investment portfolio analysis (32%) is a logical step in the evolution of the PMO. Over a quarter of respondents indicate they have a PMO functioning at the enterprise level as a means of consolidating or aligning information and business management services across the entire organization.

C. Integrated IT Management

IT PMOs make up over a third of respondents, but data would suggest that the management of technology assets is not strictly limited to those PMOs.

CIOs and other executives increasingly recognize the need to manage the strategy, transformation, and delivery of IT services and assets as a single comprehensive and integrated discipline, with a strong bias towards its implications for the business. The survey supports this view, with 49% of responding PMOs actively participating in IT Service and Application Portfolio Management.

D. Effective Processes are Critical to Mitigating Operational Challenges

Referencing the Composite Operational Challenge Dashboard by Maturity Level, shown in Figure 20, the relationship between effective business processes and the ability of an organization to temper the impact of common challenges is both unmistakable and dramatic. No other single parameter suggests immunity from of these challenges. They are not confined to a single industry sector, size of organization, perspective of the respondent, size, scope or type of PMO, the processes or standards being used, or any other potential influence within the scope of this survey.

Once an organization is able to define, deploy and follow effective business processes (level 3 maturity), the frequency and impact of challenges is significantly reduced across the board. Making additional advances in process maturity by integrating the network of

processes, establishing metrics for process performance, and incorporating continuous process improvement an integral part of operations only serves to further insulate the organization from the debilitating impacts of common operational challenges.

E. The Role of the PMO in Achieving Process Effectiveness

For purposes of this report, suffice to say there is adequate evidence to presume “guilt by association” between PMO effectiveness and levels of process maturity: the relationship between PMO effectiveness and the role it takes in process management activities compared to the level of process maturity is clearly illustrated by survey data.

The graph in Figure 23 correlates the relationship between process maturity levels and overall PMO performance. A positive trajectory is also evident when comparing Process Maturity relative to PMO involvement with process management, as well as PMO time in service and extension of general PMO scope. This complementary association between processes and the PMO was further corroborated by data when analyzing for traits and tendencies of effective PMOs.

Specific to data regarding PMO functions, at least 45% of all PMOs are involved with most process management activities (conducting process audits trails slightly at 42%); 54% have outright ownership for processes, 65% measure process performance, and an overwhelming 82% are involved in process improvement initiatives. 54% of PMOs report being involved in business process design. What is not unequivocally indicated by survey data is the extent that PMOs are involved. In other words, are these activities confined to only those processes that directly relate to the scope of interest of the PMO, or is the PMO being employed as a centralized point of expertise to serve other areas of the business?

Achieving and maintaining high levels of process maturity requires that process management be approached programmatically, rather than as a one-time initiative. Organizations themselves are not static entities; they are dynamic environments that constantly reshape themselves in response to change influences. This means that its processes must also be constantly managed to ensure continued alignment with the needs of the organization. The PMO is uniquely situated as a natural point of focus to establish a sustained program for business process management.

F. Traits and Tendencies of Effective PMOs

The various survey responses grouped by level of PMO effectiveness was analyzed at length in an attempt to identify common denominators. Beyond the obvious process maturity correlation already mentioned, the survey data did not divulge a “smoking gun” when it comes to clearly identifying what makes the difference between an effective PMO and one that is not. Despite that, there are a number of indicators that no doubt collectively serve to influence general PMO effectiveness. In many cases, the linkage is clear and evidence has been included throughout this report. Other times, shifts in data were less compelling statistically speaking, with subtle trends in responses more quantifiably elusive. This is no doubt in part because 81% of respondents fell into two middle groupings of Fair and Good, leaving relatively small data samples at either end of the range from which to derive strong averages.

With all that in mind, there are certain traits and tendencies common to more effective PMOs that are summarized as follows:

- **PMO Staffing:** Relatively few PMOs were effective with less than four staff; generally speaking, the higher staff, the better the performance. To be effective, the PMO must first achieve a critical mass of skills and staff effort to adequately meet its basic charter. From there, staff is increased commensurate with additional scope and number of constituents supported.
- **PMO General Scope:** Extending the span of the PMO and its scope of interest tracks with increased effectiveness. Logic suggests that as a PMO becomes more effective, it increases the likelihood that it will be given wider latitude and more responsibilities. Conversely, a PMO with a broad scope will also have a higher potential to integrate functional interdependencies, thus improving its effectiveness. This implies the relationship between PMO scope and effectiveness is a series of mutually beneficial iterations.
- **PMO Functional Scope:** A well hidden tendency was identified regarding the specific functions performed by the PMO (ref. Figure 7). Regardless of the level PMO effectiveness, the overall volume of functions being done varied by fewer than 1.5 (averaging about 15 per PMO), however, the types of functions being done shift slightly between higher performing and lower performing groups.

For example, PMOs that fell into higher effectiveness ranges were less likely to have responsibility for more routine administrative functions such as administering the business plan, staff development and cost recovery/charge backs, and more likely to be doing higher level functions that required the PMO to take a more active management role, such as owning processes, strategic planning and investment analysis, financial management, process audits and benefit management. Higher performing PMOs were also more likely to be involved in service management functions such as problem and change management. One notable exception that ran counter to this was centralized demand management, which was being performed by 41% of PMOs ranked as Very Good or Outstanding, compared to 27% of those assessed as Poor or Fair.

- **PMO Sponsorship:** Executive support for the PMO is a key ingredient to its effectiveness; for PMOs listing their performance as Poor or Fair; the challenge of "Lack of PMO Sponsorship" was scored at 2.14 and 2.18 respectively (red), the same challenge was scored markedly higher for those reporting performance as Good (3.46), Very Good (3.55) or Outstanding (3.92); (all well into in the green zone)
- **PMO Time in Service:** As the PMO matures, its general effectiveness increases accordingly; more effective PMOs have been in place for 3 or more years. This data tracks with the curve of development and growth a PMO must go through to ultimately reach a level of initial effectiveness.

A new PMO must first be staffed, organized, acquire the appropriate tools, and establish an internal working model, all of which could take months. Based on initial assumptions, the PMO can then begin to apply its capabilities to the organization, representing the next phase in its development. The initial cycle of operation will generate feedback and adjustment based on actual practice.

- **The PMO and Process Management:** PMOs that are more involved in owning, defining, improving and measuring the performance of processes are more effective. The PMO is highly reliant upon processes as the mechanism by which it

delivers many of its services. The collection of data and status information; methods of interdepartmental coordination; analysis and reporting; and effective management response are all enabled through business processes. Thus the PMO has a vested interest in being actively engaged in process management to ensure results adequately support its own needs as well as those of its constituency. The PMO is again uniquely positioned to ensure that individual processes ultimately work well together as a single cohesive network of guidance.

G. Recommendations

1. Benchmark the PMO organization:
 - a. Adopt a benchmarking framework for consistency and completeness, applying information such as this survey and other industry resources
 - b. Assess maturity levels of core business processes
 - c. Identify the prevalence of operational challenges
 - d. Estimate the impact of operational challenges via specific quantitative and qualitative measures
 - e. Rank and clearly describe the top operational challenges and their root causes
 - f. Assess the performance of the PMO
2. Establish and sustain a network of mature processes as an effective means of controlling the collective impact of operational challenges on organizational performance
3. If one does not exist, establish a PMO as a mechanism to improve overall operations and support process improvement
4. Ensure that the new or existing PMO:
 - a. Has its objectives and role within the organization clearly defined and communicated
 - b. Is adequately staffed and otherwise equipped commensurate with its objectives
 - c. Has process management as an integral part of its scope
 - d. Is receiving ample executive support
 - e. Has broad enough scope to adequately manage the body of work that competes for common resources
 - f. Has the span of service needed to integrate core elements of the organization
 - g. Has responsibility for integrating key functions across its span of influence
 - h. Is not bogged down by excessive administrative functions that shift focus and resources away from more meaningful business management objectives

H. Closing Thoughts

The concept embodied in the term **PMO 2.0** is that PMOs of leading edge, knowledge based, technology-centric sectors are evolving to become nothing less than a center for integrated business management. This survey establishes a viable baseline for that concept by quantifying the scope, role and performance of the modern PMO, as well as telling insights into the very nature of the organizations they serve.

The potential for the PMO to positively contribute to the overall efficiency and effectiveness of an organization is immense, as illustrated by those polled who have graciously shared the details of their own success as an example. But, overall PMO performance indicates that simply having a PMO does not guarantee it will be an effective addition to the organization, as attested to by others who readily admit that they are falling short of expectations or goals.

While this survey and its analysis reveal general trends and broad recommendations, each organization faces unique circumstances that must be considered on a case-by-case basis. Cultural differences, individual business objectives and circumstances, maturity levels and a myriad other specific environmental considerations make every journey towards PMO success a truly distinctive endeavor, each with its own challenges and ultimately, rewards. The information within this report can be leveraged by those actively engaged in fostering the success of their own PMO, are supporting others with their services, or are seeking information and inspiration to start their own PMO.

1. Acknowledgements

Sincere thanks are in order for the hundreds of survey respondents who participated and those involved in the Planview PMO 2.0 initiative. Thanks also go to OpenSky Research for conducting the survey, and Mr. Mark Perry, Dr. Brian Hobbs and Dr. Monique Aubry for providing valuable input to the process. Finally, thanks to Mr. Chris Le Tocq of Guernsey Research for his statistical expertise and recommendations.

Any inquiries or comments regarding this survey or report, or requests for permission to use portions of this report in the public domain should be sent via email to PMO@planview.com.

About the Planview PMO 2.0 Initiative and Terry Doerscher

Across the world, corporations and private and public agencies are recognizing a growing need for a business management center of excellence as a key element of the organization. "PMO 2.0" describes this emerging trend in the realm of business integration and how the traditional role PMO is being transformed to fulfill it. Terry Doerscher leads the Planview PMO 2.0 initiative, launched to help PMOs become these centers of excellence and hubs for the business coordination, collaboration, and information necessary to address the challenges of dynamic and accelerating environments.

Terry is the Chief Process Architect for Planview, with more than 26 years of practical experience with process development, strategic planning, and program, project, work and resource management across multiple industries. He is the primary author and passionate evangelist for the Planview approach to integrated business management known as Planview PRISMS[®] Adaptive Business Processes and Best Practices. The acclaimed PMO 2.0 series of white papers, presentations, and public forums is a recognized catalyst for redefining the role of the PMO in achieving business integration.

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