Mature Portfolio Management Offices – a key to success

The 2010 KPMG Project Management Survey cited the main reasons for project failure were:

- scope changes (40%),
- resource competition (36%),
- unrealistic deadlines (33%),
- unclear objectives (28%);
- uncertain dependencies (20%);
- poor communication (19%);
- failure to plan (19%);
- customers and end users not engaged (18%);
- lack of organisational/strategic support/governance (16%);
- insufficient team skills (14%);
- poor cost and scheduling estimation (10%).

Whilst not a magic bullet for these problems a mature portfolio management office will make significant improvements to the project performance A number of KPMG Surveys have shown a direct correlation between the maturity of an organisation's portfolio management office and project success.

> *Project offices with stringent compliance [regimes] reported a project failure rate of 20% whilst those with moderate and weaker compliance reported a project failure rate of 80%.*
>
> KPMG Program Management Survey 2002

> *As the maturity level decreases, failure rates increase in both the Asia-Pacific region and the Rest of the World (conversely as maturity increases, failure rates drop)*
>
> KPMG Programme Management Survey 2002-2003

> *Increased success, or less failure, can be achieved by adopting a range of good individual practices. However, a good collective and systemic approach is required to substantially increase success rate and help to reduce the loss of benefits.*
>
> KPMG's 2005 Global Programme Management Survey

Not to be outdone, PM Solution's *The State of the PMO 2010* states that:

> *PMOs demonstrate significant value. In particular, they've contributed a 31% decrease in failed projects on average, 30% of projects delivered under budget, a 21% improvement in productivity, 19% of projects delivered ahead of schedule, and cost savings of US$567,000 per project…..*
>
> *There's a direct correlation between the maturity of a company's PMO and the value it provides. More mature PMOs are far more likely to meet critical success factors. They also demonstrate significantly greater improvements in cost savings per project, decrease in failed projects, schedule and budget performance, and productivity.*

Finally, the Centre of Business Practices* has also show there is a strong correlation between the level of PMO maturity and organisational performance. Furthermore…

> *Organisations with PMOs show significant improvements at each level of PMO maturity:*
>
> - *6.2% improvement from PMO level 1 to level 2*
> - *14.6% improvement from PMO level 2 to level 3*
> - *10.5% improvement from PMO level 3 to level 4*
>
> *Where PMO maturity is rated on a scale of 1 to 5 (immature, established, grown up, mature and best in class)*

So what is a mature portfolio management office?

Firstly, its not about age. Both PM Solutions and KPMG disprove this myth. Rather, maturity is measure of function and capacity.

KPMG's 2002-03 Programme Management Survey defined PMO maturity as

> *…fully developed capabilities and characteristics that enable an organisation to implement business strategy through the identification, prioritisation, co-ordination and oversight of successfully, consistently and predictably delivered projects.*
>
> *These capabilities and characteristics include:*
>
> - *mandate and authority;*
> - *methodology, tools and processes;*
> - *human resource factors such as core competencies, training and communication;*
> - *organisational support for projects such as procurement and quality assurance;*
> - *involvement in business planning and alignment of projects to business strategy; and*
> - *timely, accurate and relevant reporting.*

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** The State of the PMO 2007-2008*

Whilst the KPMG and PM Solutions' survey reports list what are the typical functions of a PMO, neither identifies the functions of a mature PMO that would produce the benefits claimed. Furthermore the UK Office of Government Commerce (OGC) Guide to Portfolio, Programme and Project Offices (P3O Guide) lists PMO functions according to the following three categories: (i) planning; (ii) delivery; and (iii) centre of excellence it also does not identify which functions are undertaken in support of which level in the OGC's Portfolio, Programme and Project Management Maturity Model (P3M3).

This paper addresses this gap in information.

Using the OGC P3M3 as a guide, a corporate PMO that supports a P3M3 level 3 maturity would have the following functions (grouped by P3M3 topics).

Topic	Function
Organisation	Portfolio, Programme and Project Policies, Procedures and Processes (P3P3s) to be prepared and managed by the corporate PMO. These P3P3s may be modified based on the analysis of lessons learnt from programmes and projects
	The CEO to approve the PMO Charter and Mandate and promote the existence of the same throughout the organisation
	PMO to co-ordinate the gaining of industry recognised training for all project managers PMO to provide training on the organisations P3P3s
	PMO Quality Management Procedure to identify the products to be reviewed, who will participate in the review and how reviews will be conducted
Management Controls	P3P3s to be prepared and maintained by the PMO. The P3P3s will address all phases of the project management lifecycle Roles and responsibilities to be included in PMO Charter and Mandate
Benefits Management	PMO to develop and implement a process for capturing and categorising portfolio-level benefits when programmes and projects are submitted for approval. PMO to confirm achievement of benefits as part of post implementation review activities.
Financial Management	PMO to develop and implement objective measures for determining the cost/benefit trade off for each programme and project seeking funding approval
	PMO to reinforce corporate financial management standards.
	PMO to establish and enforce standards for the preparation of business cases
	PMO Change Management Process will prompt project managers to update their business cases (were required) and resubmit the same for re-evaluation by the PMO utilising the objective cost/benefit assessments
Risk Management	PMO to develop and maintain a Portfolio Risk Management Procedure and Risk Register. PMO to sponsor/prompt the raising of project proposals to addressed any significant and unacceptable risks identified
	CPO to develop and maintain a Programme Risk Management Procedure and ensure its adopt and use by all programmes. This procedure will be based on the international risk management standard (ISO31000)
	Risk management to be an integral part of the Project Management Methodology and supporting project management tools
Stakeholder Management	PMO to provide secretariat services to the organisation's Executive Committee which shall be the predominate means for engaging stakeholders over portfolio performance
	PMO to establish and provide standardised Terms of Reference for any programme or project level Steering Committee
	PMO to establish and maintain a public register of projects and their status.
Governance	The principles of portfolio management should be embedded in the PMO Charter and Mandates, as well as the PMO P3P3s
	PMO to develop and maintain template program management plan that includes default organisational controls
	PMO to develop and maintain template project initiation document that includes default governance controls
Resource Management	PMO to maintain a register of all project managers, their past performance, the projects they are currently assigned to and the future projects they have been reserved for. This register shall be used to determine the allocation of project managers to new projects
Flexibility	PMO Charter and Mandate to reinforce that PMO P3P3s are mandatory unless prior approval provided by the organisation's Executive Committee

Establishing a PMO with the above functions will deliver not only a mature PMO with all the performance improvements suggested by the research, but will also contribute to an organisation improving its P3M3 rating – an important consideration for government entities as they seek funding for new initiatives in these financially constrained times.