# Strategic Evolution of the Project Management Office

3rd edition

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# Overview

Traditionally, the role of the Project Management Office (PMO) has been to establish a set of standards and best practices to ensure efficient project delivery for the organisation. In the modern world of heightened competition, unstable regulatory and economic environments and hyper-paced innovation, we are seeing evolved PMOs going a step further by elevating themselves to support organisations in achieving their strategic agenda. A recent Project Management Institute (PMI) global study presents a new consensus view on the definition of project success that expands beyond the traditional project management success (execution) to encompass accountability for value delivery (project success).

Gartner predicted some time ago that by 2025, 75% of all PMO value measures would be based on strategic business value, rather than on project execution efficiency. While there are some PMOs that have been able to mature and evolve their strategic capabilities, enabling them to facilitate the organisational agility needed to achieve business objectives at speed, many traditional PMOs are still struggling to close the gap between what their PMO is doing and what their organisation is, or should be, expecting of them.

## Value

Gartner tells us that, "Not only do PMO leaders need metrics and measures to report their organisation's activities accurately, but they also need to 'sell' the PMO's usefulness and value to the enterprise."

# Key takeaways

Increased adoption of agile delivery practices and the disruption of digital transformations pose the biggest challenges for PMOs to date. But there has never been a greater opportunity to prove to organisations why they are so valuable.

Traditional PMOs are limited by their approaches and tools and need to adapt to a more dynamic protocol to achieve desired growth while adding value to the rest of the business, particularly with the emergence of AI as a key work enabler.

When evolving a PMO, the PMO leader must maintain and nurture strategic partnerships. Without the strong influence and guidance of business leaders, a directive PMO cannot evolve to the desired, dynamic state.

PMOs are challenged to prove their value to their organisation. It is critical that a PMO provides clarity on the type of PMO needed and its ongoing focus, responsibilities and deliverables.

Evolved and valued PMOs advise leaders on which projects to undertake based on strategic objectives, resource capacity, risk, and other factors, and support execution to those objectives.

Many PMOs are now implementing Objectives and Key Results (OKRs), as a tool for measuring project management practices against business outcomes that are vital to the organisation's success.

# Why PMOs are becoming more important than ever

The often mysterious and underappreciated PMOs have been a staple of many organisations since the 80s and have responsibility for managing one of the most difficult challenges within any organisation; the need to report on and standardise the delivery of the entire project-portfolio for senior managers and executives.

In today's business climate, with the recent shift towards increased adoption of agile and hybrid delivery practices and the disruption of digital transformations including AI, PMOs now face their biggest challenges yet. But at the same time, there has never been such a great opportunity to prove to organisations why they are so valuable.

With the growing need to manage dispersed workforces and respond to changing business needs, a correctly structured PMO can add value to the organisation by achieving the benefits listed.

Today, PMOs are often expected to guide organisations successfully through the development of innovative products and services, digital and Agile transformations, changes in priorities, shifting demands, and much more.

These strategic capabilities can only be achieved by PMOs that are dynamic and flexible. As traditional PMOs are limited with their approaches and tools, they really need to adapt and evolve to achieve their desired growth and value-add to the rest of the business.

1. Ability to align project spend to strategic goals and communicate this to the wider business.
2. Capability to determine and prioritise high level initiatives against organisational objectives.
3. Efficiently assist execution teams to provide consistent and timely outcomes (projects, programs & BAU work).
4. Embed compliance with corporate governance and provide accurate data to executives.
5. Pivot quickly and effectively to meet changing business needs.
6. Effectively evaluate the success of initiatives, providing best practices and standards for all future initiatives.
7. Focus on achieving strategic goals, providing tangible, repeatable, long-term benefits to the business.

# Time to transform the traditional PMO approach

Digital disruption is a transformation that is cause by emerging digital technologies which impacts organisations, their structures, services and business models. As part of the organisation, the PMO is impacted by this disruption without exception. According to global non-profit body, Project Management Institute (PMI), the impact of technology on PMOs is extensive.

Traditionally, an organisation would update its operating model design every 3 to 5 years. In a digital world, organisations are doing so more frequently, and we expect things to change on a regular basis. As per PMI research, more than 55% of PMO directors say the charter for their PMO has changed in the past five years. Traditional PMOs that have previously focused on overseeing the tactical activities of a program, project or portfolio, now face increased reporting, more administration, and copious meetings.

Unfortunately, many traditional PMOs fall short of their full potential, stuck in a Directive PMO approach where they are not connected to the strategic direction of the organisation, lumbered with a traditional administative role preventing delivery of real strategic value to the business.

**55%**

**PMI research shows that more than 55% of PMO directors say the charter for their PMO has changed in the past five years.**

## Traditional PMOs are missing out on:

Strategic partnership with business leadership.

Collaboration and consistent communication between top management and the PMOs.

Top-to-bottom understanding of key business objectives and targets.

A structured approach to determine priorities

and focuses.

The ability to quickly respond to changes.

Flexibility and agility to quickly respond to changes.

Gartner advises traditional PMOs to "Modernize their use of enabling technology by introducing new technologies for portfolio management and execution – ones that promote strategic portfolio management decision making and promote adaptive project and work execution." It is critical that at the heart of any project management structure, there is a PMO leader who understands the ever-developing landscape in which the PMO operates, and they are willing to do what it takes to evolve their PMO.

So how can a PMO leader evolve their PMO? How do we enable PMOs to be a proactive, strategic function that aligns to the goals of its organisation? What can a PMO do to support the achievement of business value and adaptive, continuous, and compliant delivery?

# Enabling the strategic PMO

The need to adapt to the accelerating pace of business environment changes has led to significant change from the perspective of project management. Rather than being departmental or functional initiatives, transformation projects tend to impact across many areas of the organisation and are closely tied up with the organisational strategy. This results in a need for these projects to be managed in line with strategic goals.

Once strategically aligned, the PMO is in an excellent position to ensure that project prioritisation is effective, and the right work is being delivered. It is likely that no other function of the organisation has this level of oversight and understanding of impacts to achieve this effectively. This helps the organisation to act efficiently with its project investments and respond to changing circumstances quickly.

So we know transforming your PMO is not only about your PMO surviving, but ensuring you are consistently evolving the PMO to provide ongoing value to your organisation as strategic needs and goals change. To determine the steps you need to take to advance your PMO, you need to first understand how your PMO currently operates and create the vision and roadmap for its evolution.

**Today's PMOs need to be agile, focused on business outcomes and in tune with the organisation's overall strategy. An evolved PMO plays a critical role in ensuring an organisation is ready for any change the world throws at it and can adapt project activities quickly to meet these needs.**

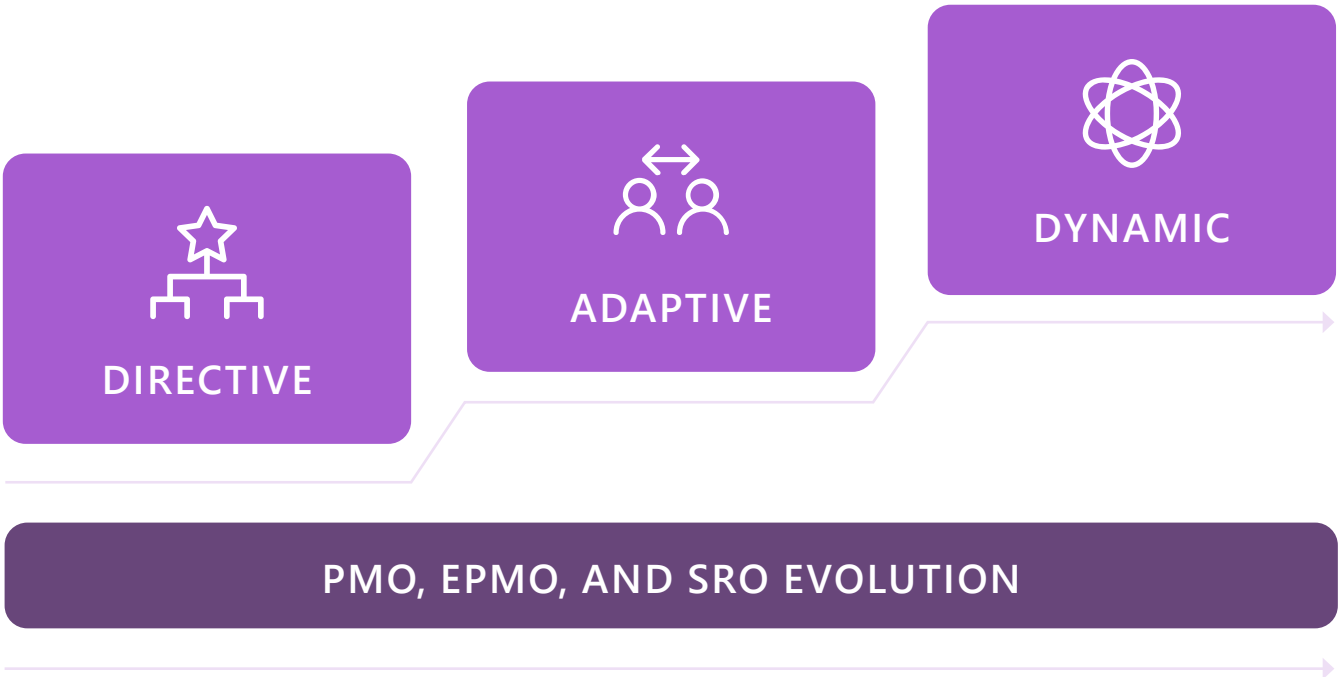
# Stages of PMO strategic evolution

A PMO is typically created to address a few specific issues, often focusing on the implementation of basic project management processes, introducing standardised tools, and aiding the professional growth and competency of its project managers. As it evolves, a PMO performs a wider spectrum of activities and matures in both process and approach.

The three PMO evolution stages are indicative of an organisation's maturity in project management, with the PMO's role and responsibilities advancing from project management oversight and control at the lower end of the scale to strategic business alignment at the upper end.

So how can you identify the current stage of your PMO? We have outlined the key points of each stage below so you can do just that.

### Program and Portfolio Management Evolution




Source: Gartner, 2021 Strategic Roadmap Overview for the PMO

## Directive PMO

Do you find that your PMO relies heavily on an established command-and-control approach?

Does your PMO have an overly bureaucratic model for managing programs and projects and struggles to meet the time-to-value expectations of a modern business?

If your answer is yes to both of the above, then your PMO is functioning with a directive approach to PMO management.

## Adaptive PMO

Do your business leaders need continuous delivery and faster responses from your PMO?

Does your PMO encourage higher levels of engagement and collaboration to support continuous delivery and more readily meet the changing needs and requirements of the organisation?

If this sounds like your PMO then it is likely your PMO is currently working with an adaptive strategy, adopting hybrid or Agile-like principles and approaches to work execution.

## Dynamic PMO

Is there a strong importance for your PMO to support the definition, tracking and realisation of organisational value in measurable terms?

Does your PMO achieve recognition as a value delivery function?

If yes to the above, then your PMO is operating as a dynamic function where your business views your PMO as a trusted partner that creates value directly tied to key business objectives and outcomes.

### Differences between stages of PMO strategic evolution

To successfully grow and keep up with the ever-changing business landscape, a PMO leader should have a primary objective of guiding their current PMO towards a widespread, strategic, business partnership, which can be achieved by evolving from directive and adaptive states to an effective, dynamic state.

Gartner has summarised the key differences between the directive PMO and dynamic PMO in the table below.

| Directive PMO | Dynamic PMO |
|---|---|
| Lacks clear identity, value proposition and purpose | A recognised value delivery organisation |
| Has limited partnership with key business leaders | Is able to efficiently prioritise and optimise work intake and delivery |
| Is in a reactive state and overwhelmed with demand and severely constrained supply | Has a strategic partnership with multiple business leaders |
| Is constrained by the enterprise's organisational style | Collaborates with business leaders for strategic portfolio management |
| Cannot adapt easily to changing priorities | Utilises adaptive and efficient planning and execution |
| Cannot change its sphere of influence, which remains in the project domain | Extends its sphere of influence beyond the domain in which it resides |
| Is missing a repeatable and scalable organisational change methodology | Adopts and uses a repeatable and scalable organisational change methodology |
| Uses stagnating or disparate portfolio and work management technologies | Uses modern technologies to support effective planning and multiple methods of delivery |

Source: Gartner, 2021 Strategic Roadmap Overview for the PMO

By following the PMO strategic roadmap and migration plan outlined further in this whitepaper, your PMO will be able to successfully evolve and reap the benefits from doing so.

Throughout this Whitepaper we have discussed why PMOs are becoming more important than ever, and the importance of why you need to continue to evolve your PMO, so how does it all come together? What can you do now to begin moving forward to evolve your PMO into a strategic business partner?

Well first, you need to close the gap.

Closing the gap

To position your PMO as a strategic contributor of business value, PMO leaders must learn to close the gap between their directive PMO and the strategically focused, dynamic PMO.

PMOs that are stuck in the directive state and struggle to move forward and evolve, find themselves experiencing the issues outlined here.

- An incomplete or missing strategic partnership with business leaders.
- A lack of understanding and connection to key business strategies and desired business outcomes.
- Poor collaborative portfolio prioritisation process between business leaders and the PMO.
- Inconsistent or missing communication between business leaders and the PMO.
- Inadequate PMO competencies supporting strategic portfolio alignment and continuous delivery.
- Lack of strategy and tactics for communication and organisational change.
- An inability of business leaders to affirm business value creation from PMO contributions.
- A lack of modern technologies supporting strategic portfolio management and adaptive, continuous execution.

# Where to now – roadmap to strategically evolve your PMO

## Planning for the evolution

To evolve the PMO from directive to dynamic, PMO leaders must first acknowledge that the PMO needs to evolve and that failure to evolve may cause the PMO function to stagnate and become irrelevant.

PMO leaders must dramatically change the identity and purpose of the PMO, and they must do so in conjunction with the business.

Steps in the PMO evolution plan are:

### 1. Form and use key strategic partnerships

A strong partnership between PMO and business leaders can produce solid strategy to execution connection. The PMO leader must work towards:

- Identifying strategic partnerships with key business leaders.
- Redefining the role of the PMO with business leaders.
- Establishing continuous communication and collaboration with business leaders, to create advocacy

The PMO leader must maintain and nurture the PMO's strategic partnerships — a directive PMO cannot evolve to the desired, dynamic state without the strong influence, guidance and sponsorship of business leaders.

This approach is supported by a recent report from PWC UK and the PMI, exploring the structure of high performing PMOs and their measures of success. It shows that a high functioning, dynamic PMO delivers against a range of organisational KPIs measuring the delivery of business value and contribution to achieving organisational strategic goals.

## 2. Enable strategic portfolio management and execution

Once PMO leaders and key business leaders have jointly created the blueprint for a redesigned PMO, both parties must continue to work together and:

- Create a collaborative portfolio prioritisation process, based on achieving organisational goals.
- Enhance competencies to support the PMO's new role and purpose.
- Define business-value based metrics.

PMO competency enhancements should focus on maintaining strategic alignment, continuous value creation, delivery methods catering to the business's perception of time to value, effective change management, and the use of modern technologies to drive PMO dynamism.

## 3. Affirm business value and extend the PMO's sphere of influence

A strong partnership between PMO and business leaders can produce a solid strategy-to-execution connection. With this connection and the guidance of business leaders, a PMO can:

- Measure and demonstrate value creation with business leaders.
- Adopt technologies that support adaptive portfolio management and continuous delivery.
- Accelerate cross-functional contributions.

A dynamic PMO should gain further opportunities when the PMO leader maintains a strategic and engaging partnership with key business leaders who acknowledge the business value of PMO contributions. PMOs that consistently complete the strategy-to-execution life cycle will be in a better position to engage and more actively participate in cross-functional contributions. By exploiting a strong business partnership, a dynamic PMO will be able to extend its sphere of influence beyond the domain of which it is a part.

# Demonstrating PMO value applying measures and OKRs

Demonstrating PMO value

PMOs are increasingly being challenged to prove their value to their organisation. Therefore, when establishing or evolving your PMO, you must ensure clarity on the type of PMO your organisation needs and its ongoing focus, responsibilities and deliverables, all of which should be agreed with the executive sponsor.

A successful PMO is typically measured based on delivering positive results leading to achievement of business strategy and outcomes.

According to the PMI, the following steps can be helpful in measuring and demonstrating PMO value to the wider organisation.

**The PMI tells us that, ''The PMO must provide support and development for a more business aligned view of project work, including alignment with an organisation's strategic objectives and how outcomes will drive impact.''**

Step 1: Clarifying the purpose of the PMO

The purpose of the PMO should be based on the overall context, business objectives, and strategy of the organisation. If everybody is not on the same page regarding the purpose of the PMO, it may lead to measuring the wrong things and focusing on initiatives that do not align to the purpose of the PMO and the wider organisation.

Step 2: Identifying value and selecting appropriate metrics to measure it

The PMO needs to determine how it can address stakeholder needs and provide value to them. Metrics of how that value could be measured need to be discussed and approved collaboratively with the stakeholders and supported by the Executive sponsor.

### Step 3: Linking the metrics

It is critical to establish links to the metrics identified in the previous step to business objectives, this process is the practice of applying Objectives and Key Results (OKRs) which we detail further below in the Whitepaper. Establishing links to the purpose of the PMO, business objectives, organisational context, and stakeholder needs is the key to showcasing the value of the PMO to the wider organisation.

### Step 4: Collecting and analysing

How the metrics are going to be captured needs to be determined and approved by all stakeholders. A profile of each measure needs to be charted including the definition of the measure, frequency, unit of measure, type of measure, calculation, data sources, data collection process, performance baseline, performance target, and performance enablers.

### Step 5: Communicating and reporting

The reporting of the metrics should be planned and tailored for the type and level of the audience, as well as their desired frequency of receiving the reports. The most common method for showcasing reporting would be PMO Dashboards, which can show snapshots of any project, portfolio or work management data at a given time. The other choice would be Value Scorecards, which are used to show the alignment of the business objectives to the value being provided, based on agreed metrics and key performance indicators (KPIs).

There may be varying approaches that can be used to demonstrate PMO value, but best practice is to start with the stakeholders and engage them to understand their challenges and what value means to them.

**10%**

**The UK report from PWC and the PMI shows that the top 10% of PMOs are utilising a much broader range of measures than ever before to ensure success. It is important to remember that to harness the elusive nature of PMO value, it is also critical to manage perceptions and perceived value.**

Applying Objectives and Key Results (OKRs)

OKRs are collaborative goal-setting tools used by teams to set challenging, ambitious goals with measurable results to help set priorities, align outcomes, and achieve success in their organisation.

If properly planned and managed, OKRs essentially help organisation's structure and manage their strategic ambitions and cut project failures and poor use of resources. OKRs may be shared across the organisation with the intention of providing teams with visibility of goals to align and focus effort.

**OKRs should be:**

- Measurable: Able to be quantified
- Specific: Easily understandable; clearly defined
- Time-bound: Defined by a specific, realistic timeline
- Verifiable: Able to be definitively confirmed; teams must be able to answer the question, "Did we achieve this key result?"

OKRs lay out specific, actionable requirements that the team (or individual) responsible for them either successfully or unsuccessfully completes – giving team members a clear-cut way of knowing whether they're making progress, and leadership a more objective way of assessing performance.

# PMO

**For some businesses measuring project management practices against their business outcomes can be a difficult task. So to ensure the PMO is reaching the goals that are so vital to the organisation's success, many businesses are now implementing Objectives and Key Results (OKRs) into their planning.**

# Preparing the PMO for Artificial Intelligence

So relevant is AI becoming in PPM, that in 2022 Gartner predicted that 80% of the work that represents the bulk of today's project management discipline, practices and activity will be eliminated by partnerships between humans, smart machines and AI by 2030. P

WC's 22nd Annual Global CEO Survey states that globally, 85% of CEOs believe that AI will "significantly" impact their business in the next five years. 63% agree or strongly agree that AI will make a bigger difference to business than the advent of the internet.

There is no doubt that AI is going ro play a major role in today's project management discipline but it cannot stand on its own. The wholistic set of tools needed for successful outcomes is a combination of people, technology and data.

Importantly, organisations need to plan for the use of AI as they would for any other tool or change. Without clear intent about what they want to achieve as a result of using AI and whether they are seeking a tactical or a strategic approach with it, they risk limiting or failing at the use of this capability.

Tactical AI is the simpler function of automating tasks that we have already come to expect – such as drafting emails, automating report writing, documenting meeting minutes and sorting work into various task groupings.

Strategic AI is about looking at the many moving parts of projects and asking questions around predictions, lessons learned, risk and performance analysis to provide early warnings for upcoming issues, schedule predictions, augment human decision making with relevant and meaningful business insight, and even recommend adjustments to keep projects on track, often in ways that humans can't.

While AI is fast becoming a normalised tool in everyday work, incorporating AI in PPM does not come without its challenges. Effective AI in PPM is only as good as the data that it can learn from, giving it the processing power it needs to run AI-driven systems. This requires a reliable, integrated systems and data approach to manage PPM functions.

With a strong focus on purpose, thorough preparation, an affinity to change and the right data and tools, any organisation should be able to implement AI in their PPM with great success

# Summary

As the business world rapidly changes, so too must the function of the PMO to remain relevant and deliver strong business value. Managed correctly, the move from a directive, administratively focused PMO to a connected, adaptive and strategically aligned function will elevate its role, ensuring longevity and recognition as a driver of transformation and business value delivery. By planning the transition in conjunction with business leaders and implementing the correct processes and tools to support an effective function, the PMO can become a key value driver across the organisation.

**Getting started with your unique PMO transformation**

A great place to begin is taking some time out to review where you are now, identify where you want to be and create the vision to get there.

If you're ready to take the next step in improving how your project management office contributes to your organisation's success, Sensei is here to help.

In our complimentary half-day Envision workshop, your PMO team is guided through a structured process to help uncover your organisation's goals and the best way to achieve them.

Learn more about our Envision workshop >

# About us & references

At Sensei, we work every day to refine our approach and improve the working world of those around us.

Since we began in 2009, we have focused on bringing world leading project and portfolio management solutions, based on the Microsoft platform, to our clients to help improve the way they work and enable them to reach their strategic goals.

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Sensei Project Solutions

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