Executive Summary

The results of the 2017 survey indicate that the project and portfolio management landscape is continuing to trend in the direction indicated by prior years’ results. Organizations continue to struggle to meet rising project demands with limited resources. While the project management office (PMO) is continually tasked to deliver projects on time and on budget, it cannot maintain the momentum of the organization moving in a transformative direction without first taking a step back and analyzing the goals of projects and the stakeholders they are intended to satisfy.

This year’s survey revealed the following statistics:

• 73% of organizations report that they don’t have enough resources to meet incoming demand

• 55% of organizations report their projects and resources are not well aligned with business goals

• Less than 30% of PMOs consider their primary goal is to create business value

• 59% of organizations have a transformation initiative in place

• 49% have seen a project fail in the past 12 months

• 46% of organizations report they do not collaborate well on projects

This report is designed to help benchmark your organization, provide insight into challenges of today’s PMOs, and find guidance and best practices among project and portfolio management professionals.
The State of the Project Management Office

Expanding Scope of the PMO

Most organizations would agree that their PMO is critical for planning and executing projects and key initiatives. Traditionally, PMOs have been chartered with driving efficiency and governance of project management standards. It would only make sense that we would expect to see an increase in companies establishing a PMO in more competitive times.

The survey results show a consistent rise in the number of organizations who have a formal PMO established within the larger organization, up from 61% to 75% in 2015 and 2016 respectively, to 82% now in 2017. In the past the IT PMO has been the more popular type of PMO among those surveyed; however, this year shows an increase in the number of organizations with an enterprise PMO or EPMO, accounting for 35% of PMO type. The IT PMO is not far behind at 33%, but this is the first year with a larger number of EPMOs. The increase in EPMOs might indicate that organizations are increasingly relying on a PMO to successfully deliver strategic projects and drive results across the broader organization. While this is good news for the PMO, the pressure is on to deliver those more strategic enterprise programs and see positive results and outcomes.
What is an IT PMO?
A IT PMO that is primarily responsible for planning, executing, and successfully delivering IT initiatives and projects. Projects are typically technology driven and directly related to the CIO’s charter.

What is an EPMO?
A EPMO chartered to successfully plan, execute, and deliver key initiatives and projects that span across the enterprise. Typical focus is on delivering business value in a uniform and consistent approach across all facets of an organization.

OVER THE YEARS: PERCENTAGE OF RESPONDENTS WHO HAVE A FORMALIZED PMO

- 61% in 2014
- 75% in 2016
- 64% in 2015
- 82% in 2017
Increased Focus on Creating Business Value

Not surprising, execution remains a strong area of focus for most PMOs in 2017. However, this year’s results show a slight shift in the distribution compared to previous years. While most PMOs are still hyper focused on delivering projects on-time and on-budget, they are also recognizing the importance of creating business value. With transformation initiatives becoming more prevalent in the project mix, the PMO is in the perfect position to create business value.

Almost half of PMOs are responsible for both maintaining operational work and driving strategic projects for business value. This is a delicate balancing act for many PMOs to be able to dedicate precious resources to strategic projects while keeping the business going by not losing sight of the operational projects that need to get done. While it is positive to see PMOs continuing to support the strategic goals of the organization, this doesn’t alleviate the issue of needing to balance resources across both types of work. Many organizations struggle to keep a healthy balance of focus between the two types of projects and typically what management notices more is what the PMO can deliver from a strategic perspective. PMOs are most successful when they can adapt to changing business needs by delivering projects that support those needs and effectively allocate resources for those projects.
The Cost of Not Using Project Portfolio Management Software

Organizations today are tasked with improving business outcomes, supporting transformation initiatives, and keeping the lights on with maintenance activities. To balance resource demand to cover operational work and reserve enough for strategic projects, the PMO must adopt a system that supports resource capacity and demand planning. Project portfolio management (PPM) provides an opportunity for organizations to improve PMO performance through centralized data collection, improve visibility into the portfolio of projects, and make better decisions based on both of those factors. Yet 41% of organizations reportedly do not have and have no immediate plans to implement a PPM solution.

The increased presence of an established PMO is a likely correlation to the increased number of respondents reporting the use of PPM software. While a significant number of PMOs are still operating without a system in place, the trend is moving toward adopting a PPM system.
What is Project Portfolio Management?

Centralized management of processes, methods, and technology to manage current and proposed projects from a planning and execution perspective. Best-of-breed PPM solutions will focus on taking a top-down approach with emphasis on resource management.

Resource Management for the Win

WHAT IS YOUR BIGGEST CHALLENGE?

By a wide margin, organizations once again cite resource management as their top challenge, followed by project prioritization and benefits realization tying for second. Alignment has fallen to a top challenge for just 11% of organizations surveyed. Furthermore, budgeting is cited as the top challenge for the least amount of organizations. This is interesting considering PMOs are tasked to deliver on-time and on-budget, yet budget doesn’t seem to be the issue in getting projects completed. While resourcing is generally a challenge for organizations, it is interesting that prioritization and realizing the benefits of their efforts is continuing to be problematic for a high portion of PMOs.
PMOs are No Strangers to Resourcing Complexities

Organizations Anticipate Increased Challenges with Resource Capacity

A staggering 73% of organizations say they lack the resource capacity to meet project demands. This has steadily increased year-over-year since 2015, and consistent with the increasing report of resourcing as a top challenge.

Most organizations don’t have resources sitting around waiting for work to come along, and the gap between project demand and resource capacity is only getting larger. Resource management is a key driver for PMO success and knowing that resources are working on the right projects at the right time is a critical factor of that success.

Tip: What-If scenario planning and predictive analytics can help PMOs plan and allocate the right resources for the work.

Effective Resource Planning Improves Project Success

Organizations reporting that resources are used for both strategic and operational work is consistently high in 2017 at 86%. Resources, both people and budgets, are shared among both types of project work, creating even more of a need to focus on resource planning. Organizations that can plan resources to focus on the highest-priority work can provide more value back to the business.

RECOMMENDATION: PPM software enables organizations to track and report on how much resource time is spent on strategic vs. operational work. This ensures the allocation of resources between project types is healthy for the organization and provides management visibility into where resources are spending the most time.

ALMOST 75% OF ORGANIZATIONS DO NOT HAVE ENOUGH RESOURCES TO MANAGE PROJECT DEMAND
How well does your organization collaborate on projects and tasks?

Organizations Stuck in Silos

Almost half of organizations report they do not collaborate well on projects. Improving project collaboration is an easy way to increase project success and achieve results. Instant access into the status of plans, projects, and tasks as well as visibility into who's working on what across the department enables better, more proactive decision making. Enlisting a PPM solution that embraces emerging collaborative work management capabilities can provide the focus teams and stakeholders need to identify and resolve issues, visualize progress, and execute on high-value work.

Quick Tip: Improving project collaboration can result in 74% fewer project delays, 69% better control of costs, and 82% less time wasted

*according to The Chaos Theory
Strategic Planning and Prioritization

PMOs Still Struggling to Align to Business Goals

HOW WELL ALIGNED ARE YOUR PROJECTS AND RESOURCES TO STRATEGIC BUSINESS GOALS?

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HOW DO YOU ALIGN AND PRIORITIZE YOUR PROJECTS?

Almost 50% of organizations score projects based on business objectives. Project scoring is the best method to prioritize intake and undertaking the initiative. Scoring does not need to be extremely detailed to be effective, but the more it is taken into consideration, the better the prioritization decisions. Majority of organizations (44%) score projects based on business objectives - which is great news. Coming to a consensus among stakeholders on what the objectives are and identifying the projects that best support those objectives is the best method to ensure your portfolio of projects is aligned with the business. But a high portion of organizations (21%) have no formal methodology. This can result in organizations investing in projects that are susceptible to abandonment or failure because they could have biased reasons for being undertaken. For best results, start with a rudimentary approach such as the high, medium, low model and gradually add complexity that suits business needs.

Factors to consider in scoring projects:

1. **Strategic alignment**: How well does the IT investment strategy align with the long-term goals of the business?
2. **Business process impact**: How much would the initiative force the company to change existing business processes?
3. **Technical architecture**: How scalable, resilient, and simple to integrate with existing technology are the databases, operating systems, applications, and networks that would be implemented?
4. **Direct payback**: What benefits does the initiative have in terms of cost savings, access to increased information, or other advantages?
5. **Risk**: How likely is it that the initiative will fail to meet expectations, and what are the costs involved?
Realize Benefits

Measuring for Success

There are a lot of factors that contribute to a project deemed a success or failure, and it is important for PMOs to focus on the right metrics and measure toward them. The good news – In 2017, a higher percentage of PMOs measure success by meeting business outcomes at 68% (up from 61% in 2016). The bad news – fewer PMOs measure success on delivering on budget (54% this year vs 63% last year). This might be due to not being able to accurately measure actuals against budget until after the project is complete. Or, that resources, not budget, are perceived as being their constraint, as many lower maturity PMOs do not consider resources in their project budget.

**HOW DO YOU MEASURE PROJECT SUCCESS / FAILURE? (MULTIPLE RESPONSES ALLOWED)**

- **59% ON TIME**
- **54% ON BUDGET**
- **69% MEETING STAKEHOLDER EXPECTATIONS**
- **68% MEETING BUSINESS OUTCOMES**
- **18% GENERAL CONSENSUS**
- **19% OTHER KPI**

**RECOMMENDATION:** Set metrics to measure PMO performance based on business impact and set KPIs to get there. Using reporting within a PPM system can help set the metrics to align to project goals during the planning phase, so even if the KPIs change, the overarching business benefit is still realized. This also provides visibility to executive management on how those goals are being met.
Organizations are indeed focused on project completion, but still seeing failure as a common result of project investment. In the past year, just about half of respondents (49%) report a project failure. The perception here is that project failure is a common outcome, but that is likely not the whole story. As organizations are investing more in exploratory or transformative projects, it is more likely to see those projects fail. It is also important to note that a project might be deemed a failure due to various reasons, such as missing a deadline, abandonment, or they simply did not meet the original goals. The main takeaway here is to align the goals set out in a project, and the metrics used to determine success.

### Top Reasons Projects Fail

1. Lack of clearly defined objectives and milestones to measure progress
2. Insufficient communication between project stakeholders
3. Lack of communication from senior management

### The Transformative Organization: Four Key PMO Trends

Of those surveyed, 59% report that their organizations are currently engaged in transformation initiatives. PMOs should expect these numbers to rise. IDG Enterprise’s State of the CIO 2017 which revealed that CIOs are spending 50% of their time on transformational activity today, up from 45% only a year ago. According to PMI’s Pulse of Profession 2017, executives classify more of their organization’s projects as “strategic initiatives” (50% in 2017 versus 38% in 2016). These stats confirm organizations are looking to the PMO to support their efforts, and the business agenda they will them help realize.
This survey indicates several trends that can help PMOs in this journey:

1. **The growing prevalence of PMOs.** From 2014 to today, 21% more respondents report having a formalized PMO-type organization; and EPMOs are now equal to IT PMOs in popularity.

   *Why this matters:* Transformational projects require the kind of planning and management that PMOs are best at providing; EPMOs are better positioned to support the enterprise-wide focus that these initiatives require.

2. **The evolution of PMO value.** While PMOs generally are still emphasizing on-time, on-budget delivery, coming in at number 2 is “creating business value.” Cost-cutting, once so top-of-mind, is now at the very bottom at a mere 2%.

   *Why this matters:* On time, on budget delivery will always matter; finding the balance with business value delivery is a tricky line to walk, but savvy PMOs are finding their way in today’s environment. That said: 22% of respondents believe their projects and resources are misaligned from strategic business goals; 21% have no project scoring methodology – clearly, there are growth opportunities yet.

3. **A combined view of resources and demand.** Resourcing is the PMO’s biggest headache: 73% of those surveyed say that they don’t have the resources to meet demand, and that’s not an outlier. For the past four years, resourcing has been the greatest challenge for PMOs in delivering successful projects.

   *Why this matters:* To break through the resource challenge, PMOs need to readily understand not only what resources are working on and what they are committed to, but also be able to evaluate demand and resources together. A recent study indicates that companies with higher resource capacity planning maturity are better able to manage shared resources; increase resource utilization; and improve prioritization. This proactive approach is a proven way for organizations to effectively close the resource gap.

4. **An adaptable plan leads to success.** PMOs are in a better place now than at any time to engage with business leaders and participate in prioritization of work and strategic initiatives. PPM software enables PMOs to create recommendations and provide visibility into project performance.

   *Why this matters:* The 44% of PMOs with access to PPM software can use it to create an adaptable plan to adjust to new priorities and help stakeholders make business tradeoff decisions. These are the capabilities needed to capture the benefits of strategic and transformative initiatives, set and track appropriate success measures, and collaborate with the CIO and business stakeholders.

The PMO has always been in a position to provide value. Staying relevant means changing with the times – adapting with technology changes, management demands, business needs. The growth of the PMO is a clear sign that today’s company needs what the PMO can do better than any other organization. Arming your PMO with the right processes and tools empowers you to drive both the transformational and day-to-day programs that advance the corporate strategy.
About the Study

This 2017 edition of the report represents the fourth annual online survey originated by Innotas, now conducted by Planview. The results of this report are based on surveyed individuals between February 1 to March 1, 2017. The 2014/2015 (consolidated) and 2016 survey results were released publicly in reports (pdf) and will be referenced throughout this report for comparison and trend identification purposes. A total of 221 respondents completed the survey and for the purposes of this report, these respondents will be termed “organization.” The respondents and survey results represent the responses of project and portfolio management functions across a variety of enterprises, including project managers, program managers, the PMO, IT management, and the CIO. The online survey was not based on a probability sample and therefore no estimate of theoretical sampling error can be calculated. For more questions please contact info@planview.com.