

PMO (Project Management Office) integration into organizations: a large Brazilian company case

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Abstract

The paper presents a qualitative survey about findings and discrepancies between theory and practice in structuring a project management office (PMO). It is carried out a comparison between what is recommended in the literature with the results of a survey conducted with managers and directors of a large Brazilian company.

Keywords: Project management office, PMO, PMO organizational structure

INTRODUCTION

The main contribution of this work is to better understand the drivers that influence the organizational choices of the PMO (centralization versus decentralization of activities and tasks) when applied to a large company not structured by projects.

After a literature review and consolidation of the theoretical recommendations, we applied a 29 (twenty nine) questions closed questionnaire to 10 (ten) executives from the chosen company.

Preliminary results show that not all recommendations are the most suitable for the case analyzed.

The increasing complexity of projects, and the organizational structures to manage them, intensified the pressure for rationalization and use of the lessons learned to properly manage projects, programs and portfolios, mainly inside of not project-driven organizations. This challenge is a primer and constant preoccupation for CEOs.

Despite the managerial efforts since the 60's, when the PMI (Project Management Institute) and other similar associations were created, until nowadays, high failure rate of projects and programs were recorded, some of them concerning to the guidelines and organizational structure that support the operation of Project Management and the Project Management Office (PMO) inside companies. (Barcaui (2010), Pinto, Cota e Levin (2010), Verzuh (2012), Carvalho e Rabechini (2010), Kerzner (2001), Dismore (1999) e Hobbs e Aubry (2006, 2007, 2008, 2010a and 2010b)).

Clearly, there is no easy solution or standard formula that ensures more efficient and effective way of obtaining results, or a unique and ideal organization. Factors such as characteristics of the projects conducted, organizational culture, the company's operating market, the extension and characteristics of the programs and the investment portfolio of the organization, among others, could influence the implementation criteria of the PMO.

That being so, the research question of this paper is: Are there differences between what is recommended in the literature for PMOs organizations and what is observed in practice?

After researching the state of the art literature on project management, focusing on the organization and operation of PMOs, we tried to identify possible differences between the theory and practice of performance of the PMO structures. The field data necessary for determining the major differences existing between the literature and actual procedures and organization of PMOs were obtained through interviews conducted with PMO's managers and project managers of a Brazilian subsidiary of a large manufacturing company; questionnaires were applied to them with both open and closed questions, along interviews conducted by the authors of this paper.

Straightly talking, the results point to significant differences between what is recommended and what is actually adopted in practice.

PMO - CONCEPTS AND ORGANIZATIONAL STRUCTURES

In this section we define basic types of PMO organization structure and main functions performed by them.

Organizational Structure typology of PMOs

The emergence of segments of organizational structures focused on project management (PMOs = Project Management Office) took place from the middle to the end of the 90s (Hobbs and Aubry - 2007). Pinto, Cota and Levin (2010) also consider that the PMO is a recent phenomenon and say that "at the end of the 90s and especially in the early years of the next decade, the theme Project Management Office (PMO) began to be widely discussed in various specialized books released in the United States."

With regard to the type of PMOs organization, Pinto, Cota and Levin (2010) argue that the PMO is "an area that centralizes certain activities - also called functions - related to project management practice, in order to facilitate the whole organization in achieving better results through projects.". Thus, an important factor for classifying PMOs, according to these authors, are the roles played by them.

The ideas of Aubry and Hobbs (2007) are more related to the concept of adaptability of PMOs within the organizational environment and define that "PMOs are organizational entities with significantly different obligations, responsibilities and function depending on the parent organization". Thus they are entities that must have strong ability to adapt to the organizational characteristics of companies in which they operate to ensure its perpetuity.

Valle Silva and Soares (2008) conceptualize the PMO more related to an appendice attached to the parent organization, dedicated to improve and manage project management knowledge in the organization. Therefore, the authors consider that PMOs are a center of intelligence and coordination that allows a connection between the strategic objectives of the

organization and the practical results; the organization's project portfolio makes possible this relationship.

Dai and Wells (2004) and Pinto, Cota and Levin (2010) focus the task of PMO's organizational conception on the activities performed by it. The authors characterize the PMO as an "organizational entity established to meet the project managers, teams and various levels of management necessities referring to strategic and operational issues through functional entities inside the organization in order to implement project management principles, practices, methodologies, tools and techniques". According to the authors the PMO's mission is much more than just support the project managers, adding the fundamental importance obligation of achieving the strategic goals of the company.

In Verzuh classification (2012), there are five types of PMO: Centre of Excellence, Support Office, Project Office, Program Office and Executive Office. These classifications vary according to the level of responsibility and authority assigned to it; so, the Executive Office would be the PMO that would add more responsibilities and have the function meet all the corporation's business units. With direct responsibility for the corporate project portfolio success.

A synthesis of these concepts was summarized in table 1.

Table 1 – PMO Organizational typologies

Autor	Possible PMO organizations		
Verzuh (1999)	Centre of Excellence	Support Office	Program and Project Office
Dinsmore (1999)	Support Office	Centre of Excellence	Program Office
Crawford (2002)	Control Office	Strategic PMO	
Englund Graham & Dinsmore (2003)	Support Office	Centre of Excellence	Program Office
Kendall & Rollins (2003)	Project repository	Project coach	Enterprise Project Office
Kezner (2003)	One project PMO	Various projects PMO	Corporate Project Office
Garfein (2003)	Basic PMO	Advanced PMO	Enterprise PMO
Hobbs & Aubry (2008)	PMO with almost none of the project managers and limited responsibility on projects	PMO with some projects and few project managers	PMO with various projects and project managers
Pinto, Cota & Levin (2010)	Operational	Tatic	Strategic

Source: adapted from Hobbs and Aubry (2006)

Operational models for PMOs

As stated in previous section (Organizational Structure typology of PMOs), various operation models have been studied and improved through academic studies. By observing practical procedures and challenges, one can better understand the formats how PMOs act, which are their roles, their responsibilities and functions, etc.; this helps understanding how these structures can add value to business procedures.

According to Unger, Germüden and Aubry (2012) PMOs work in organizations helping to manage multiple projects, often running specialized tasks that support other areas of the organization. The challenging task of managing multiple projects simultaneously is a kind of challenge that companies must conduct focusing on delivering strategic goals that are often linked to projects portfolio execution.

The authors conducted a study with 278 projects Portfolios managed by PMOs and identify three distinct roles as a standard in PMO's action: Coordination, Control and Support.

- **Coordination** - PMOs are responsible for the allocation of resources across the portfolio, minimizing failures in the allocation process and ensuring rapid allocation of resources on projects with greater demand for resources by having the overview of the projects and allowing an optimal allocation of resources over the organization's project portfolio.
- **Control** - PMOs focus on the goal of establishing and maintaining a base of information on the corporation's portfolio of projects, thereby improving the information's quality and transparency in projects and programs within the portfolio. According to the authors, activities that are present within the role of controlling its main function is to improve the quality of information, since they are more transparent and more accessible to all stakeholders involved.
- **Support** - aims to ensure a minimum standardization of project management procedures from the project portfolios, facilitating the management of individual projects and improving the exchange and communication between the projects. This action has a positive impact on quality of information and the quality of cooperation between the projects and expert resources managers.

Taylor (2006) developed a PMO's operating model with basically two ways of performance within organizations. Similar to what Unger, Germüden and Aubry (2012) conceived, the focus of differentiation is based on the roles and responsibilities exercised by PMOs: Advisory versus Centralization:

- **Advisory** - the role of the PMO is to provide project managers training, counseling and information about good project management practices.
- **Centralization** - the role of the PMO is to centralize the project managers' staff within the organization under his direct responsibility, which is being responsible for the direct management of these resources.

Müller, Glückler and Aubry (2013), found that in its way of working, PMOs basically had three roles: to serve, to control and to cooperate, ie:

- **Serve**: PMO operates as a service provider for internal and external units of the organization, for project managers and for owners of work packages. Typically the PMO provides a number of support functions with focus on increasing resource efficiency and improving delivery in projects. In serving function, this PMO extends the administrative capacity of a project through training, consulting and implementation of specialized tasks for stakeholders. This PMO attends to the

needs of stakeholders and also aims to ensure the overall performance of the project performance by the project manager.

- **Control:** PMO operates exercising a control role over management units for projects that are submitted to it. Depending on the scope of the management authority to which they were assigned, the PMO can be responsible for enhancing project management standards, such as methods and tools, for the control of compliance, setting standards for the evaluation of project performance, schedule completion, employees' performance and a possible career promotion. According to this classification model, PMOs are entitled to not only monitor and evaluate the performance of the projects, but also to take direct management actions in corporate projects within its umbrella and can apply sanction practices to bad project management.
- **Cooperate:** the PMO's role is to cooperate with PMOs structures, project managers and experts in implementing work packages. In this case, the PMO, is not particularly recognized as a "true" PMO. The extent of cooperation is not explicitly recognized as a PMO activity; according to experts, cooperation refers to a relationship that is characterized by reciprocity, mutuality and equality. Cooperation implies lateral communication between a PMO and other qualified PMOs or equally responsible project managers and employees working in project management. In this way, the PMO could generate knowledge and cooperation among their peers, customers and stakeholders in general accelerating the learning process within the organization and improving the effectiveness of project management.

THE PMO CASE IN A LARGE BRAZILIAN COMPANY

In this section we detail the field research's scope and planning.

Research Plan and Goals

The main objective of this paper is to verify how the practices for defining and conduct a PMO in a real organization diverge from what is established in theory. To conduct this comparison we choose the operating model proposed by Pinto, Cota and Levin (2010); that being so, the specific objective is to answer:

- What is the difference between what is proposed by the theory and the practice in establishing the organization and the activities performed by a PMO?

The methodology presented by Pinto, Cota and Levin (2010) was the reference for the development of this work (let's call it **PCL** model). Depending on the mission established by the organization, a PMO can have seven mutually exclusive approaches (Strategic, Strategic-Tactical, Strategic and Operational, Tactical, Tactical-Operational, Operational and Strategic-Tactical-Operational) and three amplitudes (Corporate, Departmental, Programme Project). Therefore there are 21 possible types of PMO.

To compare what PCL model recommends and what is effectively used in practice we conducted a case study in a Brazilian company.

The company chosen is the subsidiary of a multinational company which operates in several sectors, being better characterized as a large conglomerate that operates around the world. This corporation, operating in the manufacturing and services sector, has more than 140,000 employees spread around the world; its headquarters are in Europe and has branches in all continents.

In Brazil the company has more than 7,000 employees and operates in the country since the 19th century. Its organizational structure is complex and well-defined, being divided into four business pillars and nine business units.

With respect to project management and PMO structures, the company has a high degree of maturity, since it has its own management methodology applied to finalistic projects, and another specific methodology to support projects that are focused on internal improvements of their own organization. In Brazil the company has over 10 organizational structures of PMOs spread between its business units, which are departmental and enterprise focused, with tactical and strategic operating amplitudes.

Research Application

The primary and secondary data collection was carried out gathering information provided by management and obtained from interviews with PMOs' executives (Corporate and Departmental).

The questionnaire was personally applied by the authors. The answers were tape-recorded and later transcribed.

Prior to the effective application of the questionnaire it was tested with the contribution of 2 executives; the initial questionnaire was modified to a new format, consisting of 29 questions.

Ten employees operating in five different functions: PMO Manager, Project Manager, Sales Executive, Production Manager and Corporate Executive were chosen to answer the questionnaire.

The choice of these professionals took place in an attempt to get different perspectives about the company, its strategy and the way that it acts both in their projects and in their daily activities.

The focus of the research was in finalistic projects of the company, that is, projects that are linked to revenue generation. Although the company has 10 PMO structures, none of them are focused on supporting projects: all are focused in the finalistic areas of business.

The evaluation of the interviews was conducted through qualitative observations, comparing the answers to the questionnaires with what is established in theory, identifying their agreements and disagreements. By using this tool it was possible to identify and assess key expressions that might characterize the issue addressed, helping to better understand the main differences between theory and good performance of PMOs practices in the organization studied.

CONCLUSIONS AND RECOMMENDATIONS

We note the following differences between what the theory proposes and what we observed:

- In accordance Aubry, Hobbs, Müller, Blomquist (2010) the PMOs change the basic organizational structure every two years. According to the interviews, none of the PMOs had had any significant change in its organization.
- Only one of the PMOs has the task of cooperation that is defended by Müller, Glückler and Aubry (2013). In this way, even existing a corporative PMO, it is not focused on generating cooperation between PMOs, but only in creating better governance of these structures.
- Referring to the strategic range of operation, the Corporate PMO does not have an advanced level of maturity; besides, a PMO Business Unit and a PMO Business Division have this broad range of activity. This is the opposite of what Kerzner (2003) and other authors such as Valle, Silva and Soares (2008) state that corporate structures should be linked directly to the corporation's strategic issues.
- All 10 PMOs of the corporation focuses on external projects, ie, projects related to revenue generation within the company. There a certain low prioritization of operational routines improvement within the organization. This is against the view of Lavetec (2006) who argue that corporations should have PMOs focusing both internal and external projects. This adds difficulties to the governance of projects, programs and portfolios and its coordination with the organization's strategic management.

As a recommendation to PMO organization it must focus on the structure and governance of projects, programs and portfolios as part of the organization's strategy implementation instead of simply focus on the enhancement to the project management structure.

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