



Getting to Results

The Three-Legged Stool

Essentials for Effective PMO Metrics

A White Paper by Michelle M. Campbell

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*Effectively leading projects targeted at
achieving organizations' strategic objectives*

Executive Summary

Metrics aren't fancy. They aren't fun. But for a project management office or program management office (PMO) interested in measuring its performance, metrics are essential. For senior executives interested in a PMO's return on investment (ROI), metrics are powerful. Metrics are the critical gunpowder in the improvement arsenal of any PMO.

This white paper will describe the attributes necessary for complete, effective metrics for a PMO and the parameters necessary for evaluating a PMO's performance.

This document should be of interest to anyone directing, supporting and functioning within a PMO.

*Measuring certain criteria,
focuses attention on them*

A Metric Should Be

- *simple*
 - *consistent*
 - *involve a painless method of gathering data*
-

Background

The popularity of project management offices or program management offices (PMOs) grew between 2000 and 2010 according to the “State of the PMO,” a study released by PM Solutions, a project management firm. The existence of PMOs grew from 47% to 87% during the ten year period.

Why the growth in PMOs? Because PMOs are viewed as supportive and effective in their aims. This statement may seem self evident. Yet making this assertion can provoke lengthy debate. One might be asked to produce evidence to support this assertion. It is a PMO’s task to prove of its worth, to present itself as an aid, not a hindrance, in effectively achieving corporate goals.

What Are Metrics?

A metric is a measure for quantitatively selecting, assessing and controlling a process or event. In order for a metric to be consistently meaningful, a uniform method or procedure for carrying out the measurements must be established. An organization interprets a metric by comparing it to previous information, standards and benchmarks. A metric, by its nature, although eliciting judgment, is neutral in its push to that judgment.

What Are the Types of Metrics?

There are two forms of metrics: performance metrics and predictive metrics.

1. Performance metrics summarize past performance. If performance is not up to expectations, effective performance metrics point to possible reasons.
2. Predictive metrics objectively indicate potential problems while there is still time to correct the defect. For a PMO, a corrective action may mean modifying a project’s scope or terminating a project completely.

Measuring certain criteria focuses attention on them. However, according to the “State of the PMO” study, less than one third of PMOs analyzed reported on benefits realized from projects and only half of PMOs surveyed said they communicated the PMO’s value to business peers.

For a PMO’s metrics to be complete and effective, they must reflect three components that give a full view of that PMO.

The Three-Legged Stool: Metrics for the PMO

Imagine a three-legged stool. Each leg is essential to the stool's stability. No leg is superior to another. To remove a leg is to collapse the entire stool. Such is the nature of the three components to the effective, actionable PMO metrics (see Diagram 1).

A PMO plans, organizes and manages resources with the aim of successfully completing specific project objectives.

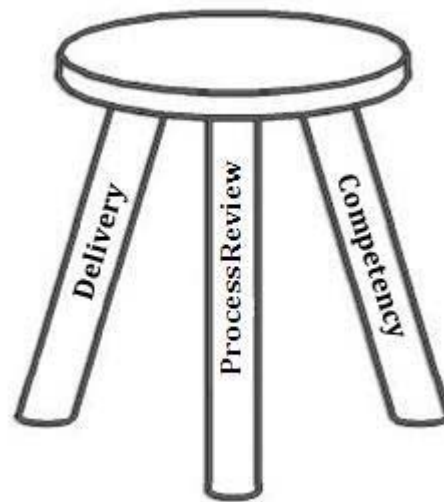


Diagram 1: Three-Legged Stool

Delivery

Delivery of a service is the reason a PMO exists. A PMO plans, organizes and manages resources with the aim of successfully completing specific project objectives. The Delivery component measures the efficacy of that service delivery.

The questions implied by the delivery metric component are:

- What are we spending in terms of money, time and labor? What was the budget of resources?
- What is the current health of the projects? What projects are in danger of failing?
- How do the projects compare with corporate objectives?

Examples of delivery metrics are:

- Actual delivery of projects versus planned delivery
- Project pipeline of current and future approved projects
- Resource pipeline mapping current and future resource demand

Note: By overlaying the project pipeline metric with the resource pipeline metric, any potential conflicts, bottlenecks or idle resources are highlighted.

According to the “State of the PMO,” PMOs aren’t excelling at the Delivery component, especially in regard to resource delivery and prediction. Only 24% have a resource management process, and fewer than one third of PMOs perform a resource risk assessment.

Process Review

*A methodology will not solve
the problem of ill-chosen
projects*

Process review, the second component, reflects the PMO’s adherence to its own established strategies, objectives and standards. This metric looks internally. It is important to note, however, that a methodology will not solve the problem of ill-chosen projects.

The questions prompted by the Process Review component are:

- What is the PMO’s value delivery?
- What is needed from executives?
- Who distrusts the PMO and why?

Examples of process review metrics are:

- Projects raised versus projects initiated, which tests the effectiveness of a PMO’s onboarding process
- Average time and cost to complete a project before and after the PMO implementation. This metric is highly suitable for recently established PMOs.
- Actual methodology implementation versus planned methodology targets
- Implementation of project lessons learned

Competency

Competency, the third component, is externally focused (both outside the PMO and outside the organization). It addresses the growth of the PMOs knowledge, best practices and maturity. However, Competency does not suggest the adaptation of any practice unsuitable given the PMOs maturity.

The questions implied by the Competency component are:

- How is the PMO doing versus PMOs of the same size and maturity external to the organization?
- What are the results of the latest project audits? How does the PMO stack up against other PMOs, if any, within the organization?

The Three-Legged Stool: Essentials for Effective PMO Metrics

- What external talent benchmarks have our project managers achieved?

Examples of process review metrics are:

- The progress of project managers on their career path
- Practices adopted following project manager training

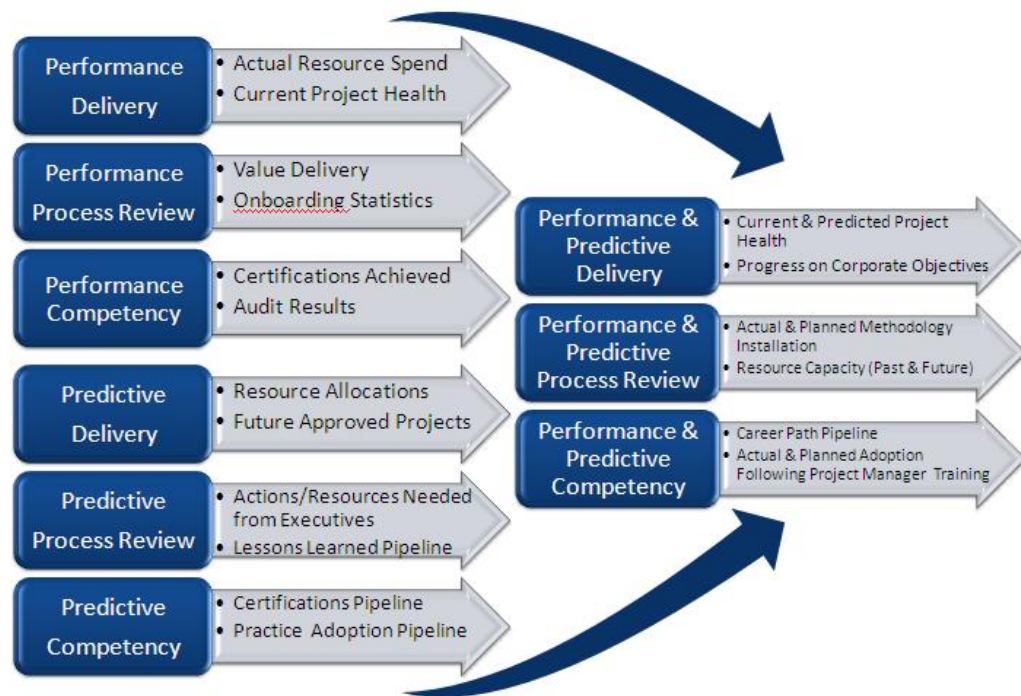
According to the “State of the PMO” study, only 65% of PMOs evaluate project manager training and competency, and only 26% of them have a formal process for doing so.



Diagram 2: Three Components' Definitions

The Two-Legged Stool?

Is it possible to have the Delivery view and Process Review view without the Competency view? Yes, but this incomplete view does not do justice to a PMO because it focuses solely on the internal aspects of the PMO. Similarly, a PMO that measures its Delivery and Competency without a Process Review component becomes overly externally focused, simply instituting the latest project management methodologies regardless of the PMO's maturity, thus confusing sponsors and stakeholders. For a truly holistic view of a PMO, all components described essential (see Diagram 2 & 3).



O
Diagram 3: Three-Legged Stool

Conclusion

How does your PMO stack up? Are you using all three critical components to develop your metrics?

If your PMO is not meeting expectations, performance measurement tools can offer hope. Over half of PMOs plan to commence or improve performance measurement programs according to the “State of the PMO” study.

Understanding and applying the three essential components of PMO metrics can improve your organization’s performance, thus helping to achieve the business’ goals.

About the Author

Michelle M. Campbell is a seasoned project manager with experience within various areas of the financial services industry. Michelle has managed product launches that generated millions in new revenue, lead technological developments and coordinated relationships with third-party information technology partners and cross-functional teams. She holds a BS in Finance, an MBA in International Business and the Project Management Professional (PMP) designation. Her articles and blog can be found at www.michellemcampbell.com