

# Build The Next-Gen PMO -- By Outsourcing!

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## Abstract

This paper explains how a good project management office (PMO) office operates and why more companies are outsourcing these functions to improve organizational performance. Learn the different outsourcing models, risks involved with outsourcing PMO functions as well as the benefits of doing it right. Relying on both a global quantitative and qualitative approach, learn how outsourcing PMO functions can help your organization operate more efficiently than your competitors and provide your customers with more value with this detailed insight.

## Value of PMO

The objective of project management office (PMO) is to ensure that projects are delivered within budget and on schedule, which in turn provides an opportunity for organizations to be effective and efficient in their line of business. The establishment of an effective PMO model is beneficial to any organization that manages a portfolio of projects. When planning and building a PMO model, it is imperative that it is done in a manner that compliments the existing structure of the organization. This will allow the company to gain maximum benefit. Since every organization is different, the optimal structure for the PMO must be designed based on many considerations and variables. PMO strategy offers a well-defined methodology along with templates, dedicated project managers, a knowledge base, metrics, and standardized tools. The result being that project estimation, scheduling, and risk mitigation are more consistent.

Projects are also more likely to get delivered on time, within budget and with minimum surprises. The ability of a PMO to manage projects through consistent and repeatable standards/methodologies brings many benefits. It provides the organization with accountability, continuity, simplified oversight and the ability to measure project success more effectively. An effective PMO is a catalyst for greater efficiency as it allows an organization to do more quality work with fewer resources and less risk. The result of these benefits is improved project success rate in an organization.

# Outsource Your PMO

## • PMO Outsourcing models

There are at least three models for implementing a PMO:

**1. Supportive PMO:** The supportive PMO generally provides support in the form of on-demand expertise, access to information and expertise on other projects, and the like. This can work in an organisation where projects are done successfully in a loosely controlled manner and where additional control is deemed unnecessary. The PMO is primarily a support service that collects, compiles, and reports on information. Outsourcing the coordinator role in your organization is both low cost and quick to implement. The value of this decision is often more difficult to quantify than in some other models.

**2. Governance PMO:** This model assumes that the PMO is responsible for defining and controlling use of methodologies, standards, templates, and policies related to project delivery. This is where many companies get “stuck” when trying to implement an effective PMO with internal staff. It makes sense to leverage the proven methods and best practices that a provider can bring.

This model prevails in organizations where there is a desire to “rein in” the activities, processes, procedures, documentation, and more—a controlling PMO can accomplish that. Not only does the organisation provide support, but it also requires that the support be used. Requirements might include adoption of specific methodologies, templates, forms, conformance to governance, and application of other PMO controlled sets of rules. In addition, project offices might need to pass regular reviews by the controlling PMO, and this may represent a risk factor on the project. This works if

a) There is a clear case that compliance with PMO offerings will bring improvements in the organisation and how it executes on projects.

b) The PMO has sufficient executive support to stand behind the controls the PMO puts in place.

**3. Directive PMO:** With this model, the PMO is accountable for the project management function within the company and responsible for providing program and project management resources to run projects. This role, coupled with the governance model, typically provides the best value for your investment. This type goes beyond control and actually “takes over” the projects by providing the project management experience and resources to manage the project. As organizations undertake projects, professional project managers from the PMO are assigned to the projects.

This injects a great deal of professionalism into the projects, and, since each of the project managers originates and reports back to the directive PMO, it guarantees a high level of consistency of practice across all projects. This is effective in larger organizations that often matrix out support in various areas, and where this setup would fit the culture.

## Why Outsource?

As with other forms of outsourcing, PMO outsourcing improves operational efficiency and reduces costs. The outsource provider is entirely focused on the task at hand and understands what it takes to effectively implement and run a PMO. They also have subject matter expertise to build standards and methods that

form a flexible framework while also producing predictable and measurable outcomes quickly. While talent identification and acquisition is a growing issue in most PMO, by outsourcing this risk is mitigated.

Another advantage is in the cost avoidance associated with failed projects: projects that implement the wrong solutions, those that take longer than planned, or others that are over budget. When these duties are left to internal staff members who are typically pulled in several directions, the output is less successful. Perhaps the best strategic advantage is that now you are free to focus on your business core competencies and leave the rest to others. In this way, the PMO startup can bring success immediately.

Finally imagine being able to hold internal staff to a rigorous service level agreement (SLA) with financial and contractual penalties for missed metrics. Since this may not be feasible, focus your attention instead on defining SLAs with your PMO partner. The SLA should have strict guidelines for managing scope, quality, budget, schedules, and other risks. The benefits of outsourcing your PMO are plain to see—and we encourage you to consider it for your organization.

## • Outsourcing Partner Selection

Many companies in the outsourcing market space are most successful as niche players. This type of strategy often produces success and growth because these companies focus exclusively within their core competencies. A logical extension to this strategy is to develop a strong partnership model. This will allow these niche players to provide customers with additional services as an extension of their core capabilities without taking on the infrastructure internally. There are two key elements in the foundation on which a successful partnership model is built.

### ***1. Choose Partners That Complement Your Business***

First, selected partners should complement your business without straying too far from your core competencies. If, for example, your company has already developed an expertise in mobile network implementations, but you also understand the linkage to infrastructure build, then your company's value to the customer can increase significantly by developing partnership with a company with infrastructure build expertise. Furthermore, outsourcing these responsibilities to a second corporation will decrease the strain to your personnel who may not be fluent in this service your company is called upon to deliver only on occasion.

### ***2. Spend Time on Due Diligence***

The second element that contributes to a successful partnership is the amount of due diligence completed before engaging another enterprise to be part of your network. Find partners that run their business in a complementary pattern to your own. Ensure that they are financially viable and that this partnership is as important to them as it is to you and, ultimately, to your customer. Each company selected must also have the training (certification, if required), business practices, and geographic coverage necessary to meet the requirements you define. Each time you select a partner, the details of subcontractor's agreement and service level expectation need to be finalized so that when an opportunity presents itself, both you and your new partner will be ready to deliver to the customer.

# Benefits of Outsourcing

Organizations that embrace outsourcing have found internal implementation of a PMO governance model is costly. Building the in-house expertise and implementing the technology required to achieve any benefit turns into expensive learning exercises that delay and often derail results. To meet these challenges, companies have turned to experienced PMO outsourcing which can quickly assess process and programme issues.

The goal of the outsourced PMO is to help companies improve the communication, control, execution, and ultimately the profitability of company projects by establishing project framework that enables better decision-making. These initiatives may include staff utilisation, on-boarding and off-boarding employees and contractors, timesheet, process management, benefit management, project setup, and monitoring.

PMO can be a key enabler for success by aligning strategy, investment, and execution. This is paramount when one looks to translate corporate strategy into tangible activities. Without formal policies in place to connect corporate strategy with execution, well-articulated management processes are likely to miss the mark on meeting an organization's goals. Implementing a PMO can directly link senior management to the inner-workings of the project management team, creating seamless, effective projects that do not lose sight of corporate strategies. These viewpoints will address the benefits of closed loop project management and how realizing successful project management strategies can positively impact the organization.

Outsourced Project Management Professional (PMP)<sup>®</sup> credential holders will help clients transform the PMO into value delivering function, reduce TCO of PMO function as well as add strategic value to the organization through implementation of effective Governance within the organization. This PMO model will help organizations reduce the time taken for setting up a PMO as well as eliminate the operational issues in running a standalone.

## References

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