

## **Does outsourcing of PMO Functions improve Organizational Performance? Qualitative study evidence from a case study in South Africa<sup>1,2</sup>**

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### **Abstract**

This paper presents a qualitative case study, part of larger study that includes a quantitative study as well to investigate and analyze: first, the reasons and impact of outsourcing PMO functions namely (project delivery, project manager development, project methodology and tools, project portfolio management) for organizational performance, and second, the role of governance and standards in outsourcing and performance relationship. The research is done through multiple case studies representing different industries and geographic locations. The case presented in this paper is conducted in the mining industry in South Africa. The results indicate that outsourcing of PMO functions have contributed to improved performance.

### **Introduction**

Although there is substantial literature on the topic of outsourcing and project management, the PMO attracts limited attention. Similarly outsourcing of project management office functions has received no attention in the literature; therefore, there is a practical and theoretical motivation to study outsourcing PMO functions especially in tough economical times where organizations seek not only cost savings, but maximizing performance.

Over the decade, outsourcing has received increasing research attention in response to the increased demand on outsourcing as means for organization to compete and be effective in today's market challenges. (McIvor, 2008).

One reason for creating a PMO may be to guarantee consistency of approach across projects. The PMO establishes project management methods, defines and implements processes and procedures, provides project structure, and deploys supporting systems and tools, as well as provides project manager development and training (Bates, 1999).

### **Literature Review Summary**

Outsourcing today became an important practice in organizations with many organizations looking ways to leverage external capabilities. Outsourcing started in manufacturing for cost

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reduction and soon moved into other vital organizational functions such as Finance, payroll, tax, HR, call centers, and services oriented. The model shift and the enhanced capabilities of the outsourcing firms have allowed smaller organizations to step up to the “big” organization level and performance simply by taking advantage of the outsourcing model and having access to the expertise and talent that large companies have. (Brown and Wilson, 2005).

*Outsourcing can be defined in simple terms to describe a situation where one organization gives work to other firms, which can execute this work more efficiently, usually for lower costs, and whose capabilities complement or supplement their own. (Kancharla 2007, p.59)*

### **Current outsourcing Industry**

Today, the outsourcing market is more solid than ever before, with many companies reaping the benefits of outsourcing, and many outsourcing companies having developed further skills and enhanced their services to accommodate the rising challenge; hence, it is no longer manpower source only to finish particular tasks, it is more of partnership and alignment between the outsourcing company and their outsourcing provider (Dominguez, 2006).

The increasing occurrence of outsourcing has led to it being considered central to the strategic development of many organizations. Outsourcing is increasingly being employed to achieve performance improvements across the entire business. For example, one particular growth area has been the externalization of Information Technology (IT) with a recent report showing companies outsourcing 38% of their IT functions to external providers (McIvor, 2005)

The firms that have higher outsourcing success take the time to do their due diligence and to build a business model for outsourcing. Successful outsourcing engagements also require organizations that don't allow outsourcing a broken process or function. (Dominguez, 2006).

### **Outsourcing for Performance**

Outsourcing provides a potential path to price reductions and increased flexibility, allowing firms to convert fixed costs into variable expenses, and increase their economies of scope. Studies indicate that short term price savings continues to be a predominant reason for both offshore and domestic outsourcing (Ellram et al., 2007). A key element of using outsourcing as a source of competitive advantage is the management of suppliers. Accessing the capabilities of suppliers offers organizations the opportunity to measure and improve their own performance. (McIvor, 2005)

In summary, the outsourcing trend may have started for cost reduction and access to specialized skill sets in specific industries, most popular IT, HR, Hospitality. While many organization functions have been open to outsourcing, project management functions have not yet been outsourced as other functions have been, such as IT for example.

### **The development of PMO within organizations**

PMO is viewed as a central point for PM implementation throughout an organization as well as a supportive element that applies PM tools and techniques effectively. Some PMOs are on a level comparable to various functional managers that report to senior managers. Others are within divisions of the organization (Wells, 1999)

PMO is defined in the various literatures as:

*An Organizational body or entity assigned various responsibilities related to the centralized and coordinated management of those projects under its domain. The responsibilities of the PMO can range from providing project management support functions to actually being responsible for the direct management of a project. (PMI 2004, p.369)*

PMO is becoming an important entity within organizations that provide project management services to support their organization's projects delivery and contribute to the performance of the organization through standardized processes and practices. Functions and services of PMOs vary depending on the organization's strategic objectives. PMOs are viewed as the central point for PM implementation throughout an organization as well as the supportive element that applies PM tools and techniques effectively. Some PMOs are on a level comparable to various functional managers that report to senior managers. Others are within divisions of the organization (Kwak and Dai, 2000)

### **PMOs and expected benefits**

PMOs today range from project offices concerned with one large project, or group of projects within a program, to more sophisticated units stewarding project portfolios depending on organization structure and complexity. (Crawford, 2002)

Other benefits of a PMO include formalization and consistency in selecting projects, more effective coordination of multiple projects, improvement in project performance in terms of the triple constraints (cost, schedule, and scope); therefore, improved organizational profitability (Rad, 2001)

In recent years PMOs became a phenomenon worthwhile investigating; hence, a multi phased study by Hobbs and Aubry helped exploring PMO's origin, structure, roles, perceived value add, and expectations of them in various organizations. (Aubry and Hobbs, 2007)

### **PMOs Limitations and Issues**

Although the literature supports that PMO helps improve organizations PM discipline, and contribute to organizational performance; there are still some limitations and issues associated with PMOs. Most common reason is that PMOs are seen as un-necessary expense that organizations cannot afford in era of resource scarcity and budget cuts. Another reason is that executives do not view PMOs as an entity that save them organization cost, although they admit of the other benefits they get out of a PMO (standards, delivery, reports, etc), cost savings isn't

one of them, a survey by the Project Management Institute and CIO magazine found that 74% of respondents confirmed that PMOs don't save organizations cost (Santosus, 2007).

One reason is that PMOs perceived as contributing to adding to the bureaucratic layers of an organization, slowing down the business process (Block and Frame, 1998).

PMOs value creation and legitimacy have been questioned recently. Results from a survey (Hobbs and Aubry, 2007) conducted showed 42% of respondent answered "yes" to the PMO existence and relevance whether it is being seriously questioned. The study shows that PMO's are being shut down as fast as being opened in addition to being radically transformed or restructured.

### **PMO Functions**

Literature suggests that not all PMOs are created equal with regards to their types and functions performed. The terms in some organizations are used interchangeably referring to the activities that a PMO take on some of them are basic activities for PMO's to exist, others are more advanced and their existence denotes the maturity of the organization to require the advanced functions. (Crawford, 2004)

Letavec (2006) suggests that PMOs may work in any of the following roles:

1. Consulting Role – advisory to project/ program teams on how to manage their projects and programs through tools and methodology;
2. Knowledge Management Role – Capturer of project related information, and manage the dissemination of these information;
3. Compliance Role – Set process, tools, and reporting standards (Letavec, 2006).

Light and Berg (2000) suggest that PMOs may have other roles:

1. The PMO as a repository - custodian of the project methodology and is not involved in the decision making process;
2. The PMO as a coach - provides guidance on projects, performs project reviews on request, may establish and support project planning, monitors and reports on projects but does not order corrective action; and
3. The PMO as manager – operating as an agent of senior management, manages the project portfolio, manages the master resource plan, reviews project proposals and is accountable for the portfolio (Light and Berg, 2000)

In recent years PMOs became a phenomenon worthwhile investigating; hence, a multi phased study by Hobbs and Aubry helped exploring PMO's origin, structure, roles, perceived value add, and expectations of them in various organizations. *The goal of organizational project management is not just to deliver projects on time, on budget and in conformity with technical and quality specifications. The goal is to create value for the business* (Aubry et al. 2007, p.328). Below is a survey conducted by Aubry and Hobbs on PMO functions and the importance of each function in ranking decreasing order.

Table 1: PMO Functions in decreasing order of importance (Aubry and Hobbs, 2007, P.82)

<b>PMO Function</b>	<b>% of PMOs where Important</b>
Report project status to upper management	83%
Develop and Implement a standard methodology	76%
Monitor and control of project performance	65%
Develop competency of personnel, including training	65%
Implement and operate a project information system	60%
Provide advice to upper management	60%
Coordinate between projects	59%
Develop and maintain a project scoreboard	58%
Promote project management within organization	55%
Monitor and control performance of PMO	50%
Participate in strategic planning	49%
Provide mentoring for project managers	49%
Manage one or more portfolios	49%
Identify, select, and prioritize new projects	48%
Manage archives of project documentation	48%
Manage one or more programs	48%
Conduct project audits	45%
Manage customer interfaces	45%

From the above table, we can see the top five functions based on the survey taken and these were 1- Reporting status to upper management at 83%, 2- Develop and implement methodology at 76%, 3- monitor project performance and 4- develop project managers both at 65%, and 5- project tools at 60%. Although PPM scored 49%, but this is considered high considering this function only recently became the focus of attention.

Consistent with the ranking and importance of PMO functions that resulted from Aubry and Hobbs in 2007, other researchers (Bates, 1998), (Wells, 1998), (Rad, 2001), and (Dai, 2000) emphasized the tops three functions. For the purpose of this research the following four PMOs functions are defined and investigated in this research based on the literature review of PMO functions importance.

### ***Function 1. Project Delivery***

The objective of projects is effective project delivery (Turner and Müller, 2003) as well as one of the top-rated functions for PMOs is responsibility for delivery, outcome and performance (Aubry and Hobbs, 2007). The PMO function project delivery directly impacts customer satisfaction, it's value to the business, the enterprise's competitive edge, market share and profitability. One of the vital measures for organization maturity is the measure of PMO's project delivery speed that sets expectations for the project team and improve delivery outcome for clients. (Kendall and Rollins, 2003)

Project performance is typically evaluated using success criteria (Jugdev& Müller, 2005). De Wit (1988) made a distinction between project success which is measured against the overall

objectives of the project, and project management success which is measured against the traditional measure of performance (cost, time, and quality).

### ***Function 2. Methodology and Tools***

It is the use of a consistent methodology over and over that will produce a high probability of attaining project objectives. A good defined methodology allows organizations to capture and compare metrics related to organizational performance (Kerzner, 2001).

A project management methodology is a set of guidelines or principles that can be tailored and applied to a specific situation. In a project environment, these guidelines might be a list of things to do. A methodology could also be a specific approach, templates, forms, and even checklists used over the project life cycle (Charvat, 2003).

It is an important task for any PMO to have established methodologies and processes as supported by Scotto 2000, the ultimate success of the PMO and the extent of support it offers to the organization are largely dependent upon the implementation of standard project practices that cross all functional lines. The lack of a standard methodology limits the PMO contribution in that its capacity to achieve efficiency and effectiveness through consistent process is reduced (Scotto, 2000).

### ***Function 3. Project Manager Development***

The project manager development is a critical function that should provide in addition to on-going training, it should provide PM career path, certification, mentorship, network, etc to improve the individual skills; hence, overall project management strength and standardization of the organization expectation (Hill, 2004).

It is important to have an assessment of skill sets, plans for training and improvement, as well as measures for continuous improvement. The latter requires monitoring skill performance through industry standard scales. Related organizations are sometimes called “project management talent”, “center of excellence”, “project manager development”, etc. The titles may differ, but the importance is the outcome an organization wants to achieve to obtain the benefits. Therefore, it is essential to be able to motivate individuals as well as enhance project delivery. Unmotivated participants will not perform as expected and will not create superior organizations, regardless of other factors (Kerzner, 2004).

It is important to have an assessment of skill set, plan for training and improvement, as well as measures for continuous improvement. For continuous improvement to occur there is a need to monitor skill performance through industry standard scales. Organizations are created, some are called “project management talent”, “center of excellence”, “project manager development”, etc. The titles may differ, but the importance is the outcome an organization wants to achieve to obtain the benefits. Therefore, it is essential to be able to motivate individuals as well as enhance project delivery. Unmotivated participants will not perform as expected and will not create superior organizations, regardless of the other factors.

#### ***Function 4. Project Portfolio Management (PPM)***

Portfolio management is a dynamic process that involves an organization in identifying an active list of products and development projects that needs to be executed for business benefit that allows for selection, prioritization, monitoring and changes based on uncertain opportunities that may arise. The process encompasses periodic reviews, comparing historical projects and go/no-go decisions on an on-going basis to allow businesses achieving its strategy. (Cooper et al., 2006).

PMOs were established to coordinate portfolios of projects from executive board and facilitated selection, monitoring and controlling projects (Andersen et al., 2007). Emphasis is given on managing the company's strategic portfolio of projects at a collective level to ensure enterprise goals and organizational benefits realized (Rad & Levin, 2008).

Having portfolio management is a sign of organizational recognition of linking strategy with execution. All organizations considering advanced PMOs, enterprise or, corporate PMOs had some sort of portfolio definition, planning, and control, and can measure benefit realization of executed projects. These PMOs have done more than establishing methodologies and tools; they needed to add value to the organization bottom line through Project Portfolio Management (PPM). Project portfolio management forms a quantitative base for removing redundant projects and optimizing available project expenditure to align resources with strategic priorities (Hobbs & Turner, 2005).

In summary, PMO's may vary in the number of functions it may perform depending on their complexity and maturity. From the literature above it has been clear that some of the main functions expected of a PMO are: Project delivery, project manager education, training and development, establishment of methodology and supporting tools to facilitate training, and linking strategy with execution through portfolio management. Some of the benefits have been repeatedly emphasized predictability, repeatability, measurability to track projects progress and portfolio realization.

#### **PMO and Performance**

The relationship between project management and performance, as well as PMO and performance has triggered interdisciplinary research throughout the last 5 years. Performance is almost always the ultimate dependent variable in the literature on organizations in general and becoming a subject in project management literature (for reviews of literature see Crawford 2001, Cooke-Davis 2002, Hobbs and Aubry 2007, Dai 2007, Martin et al. 2007, and Müller 2009).

(Crawford, 2001) emphasis on delivery and compression of time to market led project management take a prominent role in organizations efforts to improve their performance. Many organizations established PMO to improve and oversee the success of project delivery and its contribution to organizational success. (Cooke-Davies, 2002) proposes a systematization of "real" success factors derived largely from empirical data. He suggests a set of twelve factors related to the three distinct ways of looking at performance: project management success which is measured against the widespread and traditional measures of performance (time, cost, quality,

etc.), project success factors - those inputs to the management system that lead directly or indirectly to the success of the project or business (benefits), and corporate success which is the processes and decisions to translate strategy into programs and projects. Whether the business is a project-based or operation based, project management success contribute directly or indirectly to improved performance both financially and non-financially.

### **Outsourcing and performance**

When it comes to outsourcing, there are two different types of performance measures, outcome and activity measures. Outcome measures identify the results of a process and allow firms to evaluate how well they are performing in a particular area. Typically, they are based on a company's overall goals and objectives and are intended to demonstrate the effect of a process on the company's finances and efficiency. Activity measures focus on the incremental efforts that are necessary to enhance process improvement, specifically issues that concern the employees in charge of process-specific activities. Therefore, managers identify problems in a business process as soon as they occur, which allows for correction (Baschab and Piot,2004)

For example, in some companies that are driven by their performance ratios that they will outsource functions solely to improve them. Example of these functions that can be outsourced involves transferring assets to the supplier to increase the company's return on assets (which is one of the most important measurements for many companies). The functions most likely to improve this ratio are those heavy in assets, such as maintenance, manufacturing, and services. Another ratio that can be improved is profitability per person. To enhance this, a company should outsource all functions involving large numbers of employees, such as manufacturing or sales (Bragg, 2006).

Another example, in some companies, executives looking to shake some functions for inadequate performance, look at outsourcing for as a solution. These companies' management put the function out to bid and include the internal function's staff in the bidding process. The internal staff can then submit a bid alongside outside suppliers that commits it to specific service levels and costs. If the bid proves to be competitive, management has the choice to keep the in-house function or outsource it providing the bidding process is a fair process. This approach can be used for any functional area in an organization (Bragg, 2006).

### **Outsourcing of PMO**

(Light and Berg, 2000) indicated that project and process management efficiency are growing concerns of IS executives; hence, trends in project management are toward more contracting and outsourcing. This means more distributed development organizations and more business dependence on applications. The drivers of these trends include project criticality, problems with reliable project delivery and the new accounting guideline, which requires enterprises to capitalize costs of software assets developed for internal use

Many companies are already subscribing to Virtual PMO services which are the result of outsourcing services especially within IT which leads to PMOs in one geographic location servicing multiple others (Santosus, 2003).

Some companies today have created a PM/PPM toolkit solution and have proven to be successful in the area of on-demand PM/PMO as well as it helped expedite PMO set-up and provide required tools and processes. Many companies have benefited from these tools kits to outsource their PM/PPM systems and at some case their PM processes.

Nicholson proposes that organizations outsource project managers, or their methodology, and/or technology. Some of these have been either completely outsourced or some external party to the organization has developed these practices and handed it back to the organization to save on cost and time in setting up PMO functions. (Nicholson, 2005)

On one hand, it can be summarized from the above that organizations seeking to control cost, improve delivery success, and standards, plus create business value will invest in creating PMOs. While this is mainly true, a recent study by (Hobbs, 2007), point to the issues associated with PMO creation questioning the real value considering the time, efforts, and cost it takes to establish such a function.

On the other hand, while organizations strive to maximize business value for their organization and their clients, many organizations have turned to outsourcing activities that traditionally were performed in-house for the purpose of creating greater efficiencies, cost reduction, and improve performance across the entire organization (McIvor, 2008) as will be illustrated in the following case study.

## **The Case Study**

### **Description of BPH organization**

BPH (original name change) general details are summarized in the table below. BPH is a global leader in the resources industry with over 40,000 employees working in over 100 operations in 25 countries and generated revenue of over \$45 billion in FY09 and net operating cash flow of over \$15 billion. BPH was created as a result of a merger that was concluded in 2000. BPH brings an exceptional mix of quality, low-cost resource assets, complemented by a strong management team determined to operate the company's assets in an efficient manner. BPH's financial strength through cash flow and balance sheet, a diversity of products and customers, as well as access to global capital markets put it in an enviable position for growth. They are distinguished from other resource companies by the combination of the quality of their assets; customer-focused marketing; and diversification across countries.

Reflecting on their aim to be a premier global company, BPH occupies significant positions in major commodity businesses including aluminum, energy coal and metallurgical coal, copper, etc. BPH operates as separate companies, but under one brand, BPH. The company has a global presence extending from Australia, United Kingdom, and South Africa, etc to over 25 countries in different continents. The central tenet of the BPH business model is that a diversified portfolio of high-quality assets provides stable cash flows and an enhanced capacity to drive growth. BPH has a collective portfolio of 25-30 projects a year. Average project duration is 18-36 months.

### **BPH PMO and Challenges**

BPH didn't have a PMO before their outsourcing agent PJJ implemented one for them. BPH recognized project management capability and projects were not officially named, but handled as part of operations. Establishing a project management office to improve project delivery as well as to ensure government regulation is part of the practice that BPH executives looked to build. BPH's culture is run and manage core activities internally and outsource non-core activities to outsourcing agents. All Standards are provided by the outsourcing agent is used by BPH for improving project delivery.

BPH's challenge was to show that undertaken projects conform to government regulations placed on the mining of resources. Companies had to give financial and progress information on all new mining initiatives in order to show the government their commitment to improving the economy and the community. Within this scenario, BPH decided to create a project delivery mechanism by outsourcing all PMO functions to outside PMO experts to ensure government compliance.

Table 2: Summary of BPH Organization

<b>Organization Characteristics</b>	<b>Details</b>
Ownership	Publicly traded
Industry	Energy & Mining
Size	Large over 40000 employees
Organization	Companies run as separate divisions united with focus on delivery through project initiatives
Culture	Rewards through positively impact the livelihoods of a large base of clients through diversified portfolio of assets.
Competition	0-2 other organized players, small number of unorganized entities locally but the external market is relatively competitive
Strategy for growth	Ability to expand through mergers and through planned expanded client base.

### **Description of the outsourcing service provider – PJJ**

PJJ (Original name changed) is a PMO expert's organization with many years of experience creating project and portfolio management organizations for clients. PJJ is very well known in this area and believes that company supervision should be structured by experts (i.e., running the PMO function) rather than resource augmentation only. BPH outsourced to PJJ due to PJJ's known reputation in the market to build out PMOs and run the operation of these functions on a day to day basis. PJJ created a PMO for BPH with a senior level management PMO head from PJJ running the PMO. The expertise of PJJ and good management by the PMO head from PJJ made the outsourcing of the PMO functions a success.

In addition to PJJ's reputation, the main drivers to outsource were based on a number of facts. First, BPH did not have Project Management Capabilities as this was not part of their core business, which is the mining of resources. This was not required until government regulations were imposed on mining resources which has driven BPH to create a PMO in short period of time; hence, look for experts to outsource it consistent with their model. Second, there was a need for a standard set of formal reports/ KPIs to allow a structured way of reviewing and reporting on projects and easy comparison of performing or underperforming projects. Third, there was the need to align a PPM solution with business strategy, since this area was previously run randomly per the senior executive of BPH. Fourth, BPH wanted shorter a quality project methodology and delivery model that would result in shorter delivery time. Last, BPH desired a holistic project delivery and methodology solution implemented in a short time frame.

Having the PMO in-charge from PJJ create and oversee the PMO has ensured that all projects follow the same methodology and that all information communicated up and down the BPH chain of command aligned the BPH executive board standards and expectations. Thus, project progress measurements are now the same and can be compared. Table3 illustrates the state of the PMO functions prior to outsourcing them.

\*\*Note: there was no PMO in place and project work was run adhoc and informal.

Table 3: The State of PMO functions in BPH before outsourcing

<b>PMO Functions</b>	<b>State Prior to Outsourcing</b>
Project Methodology	There were no standard project methodologies or processes that govern the mechanism of project delivery.
Project Tools	No project tools in place, every PM ran projects based on their choice of
Project Manager Development	The project managers had different background and varied tremendously in the skills and the application in managing projects which led to different results in project delivery.
Project Portfolio Management – PPM	There was no selection process and projects were selected randomly.

Additionally, there was informal and unstructured governance prior to outsourcing PMO. Department heads reported status to the board in their own way which was impeding decision making ability. The lack of formal governance adoption, coupled by the absence of a PPM practice, led executives to possibly miss focusing on critical projects. Further adding to the problem, benefits were not consistently quantified and/in was difficult to compare project to project.

Furthermore, the lack of standards made project delivery dependent on project managers' skill level and resulted in different outcomes. The lack of standards limited BPH to achieve efficiency and effectiveness and limited projects initiatives especially after government enforced compliance standards on resource mining. BPH has since implemented these standards as set out by the PMO and they are now followed. The adoption of governance and standards practices has had a positive impact on BPH's performance.

Below are the details of the PMO functions that BPH outsourced.

### **BPH outsourced functions**

Each outsourced function will be detailed to understand how it was outsourced, why, and what the benefits are. For all functions that PJJ implemented, they handled the initial PMO set-up and the on-going support. Table 3 provides a summary list of outsourced PMO functions and benefits of outsourcing each function. PJJ built the PMO practice from scratch knowing what is needed to run successful project delivery and ensure compliance with government regulations. PJJ put in place Project methodology and tools, project delivery, PPM, and project manager development for BPH.

**Project Methodology:** PJJ built a standard methodology that consisted of process ownership, roles and responsibilities, gate reviews and checkpoints, as well as all required templates. Templates and review gates ensured that regulatory compliance was addressed as well as consistency in project delivery.

**Project Tools:** Since PJJ built standard tools to be used by all PMs and project contributors, it included planning and scheduling as well as a collaboration space and project document repository. The tools automated the methodology. Various templates and checkpoints were built into plans to ensure that measures of project delivery were the same for all PMs. Additionally reporting and KPIs were generated from the tool to increase the consistency and accuracy of the reports generated.

**Project Delivery:** PJJ instituted project reviews to ensure that delivery was consistent. Project delivery improved as a result of (1) deploying the methodology and tools and (2) the rigor of monitoring and reviewing at checkpoints that allowed executives and the project team to address issues in a timely manner. The PMO in-charge from PJJ conducted reviews to ensure that PMs were held accountable for delivery per the standards and that escalation was being done when needed.

**Project Manager Development:** One of the primary reasons that delivery was successful was because all PMs were trained on the methodology, processes, and tools. There was initial training and rollout, and on-going training which helped PMs improve their understanding of expected deliverables and defined reporting criteria. This allowed them to improve and hone their skills as well as improve delivery as a result of understanding and improving their skill set.

**PPM:** Aligning PPM solution with the business strategy was critical to ensuring that all projects that require regulatory compliance addressed properly along with other projects. PJJ implemented standard project selection and prioritization and oversaw the execution of these projects per defined standards and through a governance board that included BPH representation. As a result, decisions were made on time, delivery performance was faster.

Table 4: Summary List of BPH outsourced PMO functions

<b>Outsourced Functions</b>	<b>Benefits</b>
Project Methodology	PJL helped build a process and methodology standards that aligned with BPH work to ensure standards way of planning, and executing projects across all products regardless of the project managers' skill level
Project Tools	PJL helped standardize creating tools that complemented the processes and methods created and had analysts to perform all technical tasks of implementing, training and on-going tracking to allow our project managers focus on delivery
Project Delivery	PJL helped establish process and ground rules for project delivery. PJL PMO head oversaw the implementation ensuring compliance with standards set. The speed of delivery has improved due to staffing the project right and standards methods of implementation.
Project Manager Development	PJL took on training our project managers, they were trained in project management practices focusing on projects methods and tools established to bridge the skill gap and unify the practices; thus, measuring project success delivery is possible
Project Portfolio Management – PPM	PJL build the Project Portfolio Management practice by deeply studying BPH project issues and opportunities and creating PPM criteria for selection in collaboration with the business, the ability to kill projects and prioritize them for better value add and perform cost benefit analysis before taking on any project

The case study of BPH is an indication that the outsourcings of PMO functions have contributed to improving organizations performance through better quantification of business demands and improves value add to the business; understanding the progress throughout the life cycle of the project and the impact of that project on business strategy and can improve competitive advantage. The positive impact on organizational performance is due to the adoption of governance and standards practices that BPH adhered to. Therefore,

**Improved Governance:** Establishing governance has helped executives obtain visibility to the list of projects prioritized based on selection criteria established. Thus the selection was faster and decisions made around what projects to execute and what not were based on understanding of the benefit and value and regulatory compliance was accounted for and ensured.

**Improved Standards:** Building standards as part of the methodology and tools built helped institute standards early on. As a result, overall delivery standards were improved.

**Improved Compliance:** Due to formal governance, standards, and formal PPM selection criteria, PJL's PMO ensured that all projects were compliant with government regulations and mandate of mining of resources.

According to BPH management, outsourced PMO functions has kept BPH focused on their core functions and allowed for faster implementation of standards, governance, methodology, tools, PPM. The PJL PMO in-charge ensured that all projects were communicated and implemented throughout the project lifecycle and reported to the board on all projects' status from the board back to all the projects teams. PMO became the advisory board on all project related issues, ensured standardization, perform audits on the projects and implement best practice standards. As a result, BPH were able to track the amount of projects per year or period as there was no formal project progress or registration of a project prior to this. Projects registered per year have increased from 0 to 6, with 98% accuracy on the tracking of a project.

The qualitative benefits are as follows:

- Better project definition, monitoring, reporting & communications, escalation through governance model.
- Improved customer value, and overall organizational performance
- Compliance with government regulations and mandates.
- Improved standards and process through structured governance that speed project delivery by 50% more than before due to the separate ability to track projects.
- Consistency in reporting and no one knew on the real status. The need was triggered to bring the rigor as well as unbiased reporting on the status.
- Consistency in the project managers' approach to delivering projects and none of the managers were formally trained.

The quantitative benefits are as follows:

- On time Projects completion improved by 50%, 95% of projects now have Benefit quantified and tracked, Delay Reasons are 95% accurate (earlier little or no analysis was available)
- Net Present Value can now be illustrated separately per project as well as the post project appraisal can determine if the NPV was achieved. Currently a 100% of post project NPV is achieved.
- 100% of projects registered are performance and financially (benefit) tracked and formally closed out.

### **Summary of BPH**

BPH didn't have a PMO. Projects were Ad hoc and run informally which wasn't acceptable especially with the pressure the government was applying on the mining industry to contribute to the economy and community and be compliant with the regulations for that industry. PJJ, a well-known PMO and project management company, implemented all functions required for BPH to run project delivery successfully, select the right project mix and ensure its compliance with government regulations. PJJ improved the quality and quantity of projects delivered through standard methods and tools, a standard PPM process and a governance structure ensured consistency in approach with regular audits. After PJJ took over the PMO function, BPH was able to meet the government demand and improved their performance.

### **Conclusion**

This paper summarizes the work and the results of an inductive qualitative study which is running in parallel of another quantitative study using a web-based survey. The results from one of the qualitative case studies are shared in this paper. The author suggests that the results of outsourcing are improved performance through governance and standards which are drivers for the decision to outsource as well. This study contributed to an improved understanding of the upcoming phenomenon of outsourcing PMO functions.

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