Investigating the Relationship between Activities of Project Management Offices and Project Stakeholder Satisfaction

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ABSTRACT

Organizations need to execute a number of projects simultaneously in order to react market changes. Besides that, technological advancements enable large scale, complex projects feasible. Keeping all these projects under control and executing projects effectively is a serious problem for every organization. PMOs are appeared to be a solution for managing multi-project environments, but their contribution to organizations is tortuous. In this research, activity areas of PMOs are derived from existing works, and the relationships between PMO activity areas and stakeholder’s satisfaction are investigated by applying PLS-SEM methodology. There are six activity areas defined, and named as “project procurement”, “knowledge management”, “project team management”, “communication”, “project planning & follow up”, and “development and maintenance of IT”. With the guidance of existing literature research model is developed. Results show that “project planning & follow up”, and “project procurement” activities have direct effect on “stakeholder satisfaction” at medium level. Besides that, “knowledge management” and “IT infrastructure” have indirect effect through “project planning & follow up”.

KEYWORDS

PLS-SEM, Project Management Office (PMO), Project Stakeholder Satisfaction, Supportive Activities for Projects

INTRODUCTION

Organizations need to develop more efficient ways to manage their projects as the number of simultaneous project rises continuously. Setting up a PMO is one of the common solutions to deal with a great number of projects. But these entities do not have outcomes which can directly be measured. Thus, PMOs can be considered as an unnecessary cost item. Although the strategic importance of project management is known, it is still necessary to evaluate the contribution of PMOs. Although PMO is a hot topic in project management discipline, there is no commonly accepted model to evaluate the contribution of PMOs (Mariusz, 2014; Paulo, 2012; Pellegrinelli & Garagna, 2009; Reina, Cetani, Lacroce, & Ventura, 2012; Singh, Keil, & Kasi, 2009; The Center for Business Practices, 2008).

The iron triangle cost, quality, and time are “traditional” performance criteria for project management (Toor & Ogunlana, 2010). Inevitably, all projects are evaluated with the classical project performance criteria. But these criteria are suitable in project execution phase. When the project is finalized, these criteria lose their importance and satisfactions of stakeholders become more crucial (Baccarini, 1999). In contrast, projects can be considered as breaks of a building. They are not very valuable if they are not in the same line with organizational objectives. Thus, organizations also need
to appraise their project outcomes with criteria such as customer loyalty, profitability, market share increase, and sales target. In other words, organizations need to be sure that their stakeholders are satisfied with organizational outcomes to survive. When it is considered at operational level, project outcomes must keep stakeholders happy by creating innovations (Bryde & Robinson, 2005; Jugdev, Mathur, & Fung, 2006; Lim & Mohamed, 1999; Muller & Turner, 2007). Therefore, in this study, instead of studying classical project performance criteria; satisfactions of stakeholders are preferred as an outcome, and it is measured with four variables. These are “satisfaction of project stuff” (S1), “satisfaction of project owners” (S2), “satisfaction of upper management” (S3), and “increase in innovativeness” (S4).

The main objective of this paper is to investigate the contribution of PMOs to their organizations. With the guidance of existing literature, it can be said that there are two groups of PMO activities. The first group of activities directly affect the satisfaction of stakeholders. The second group of activities support the first group. In other words, these activities have indirect effect on the satisfaction of stakeholders. Thus, the first purpose of this research is empirically explore the PMO activities which directly affect the satisfaction of stakeholders. The second purpose is to investigate the relationship between PMO activities.

In literature, researchers have developed different approaches; they have investigated and categorized PMO activities in many different ways. In this research, PMO activities basically split into six groups. Four of these groups which are “procurement management”, “communication”, “project planning & follow up” and “project team management” are proposed to have direct effect on stakeholder satisfaction. The remaining two “knowledge management” and “IT infrastructure” are proposed to have indirect effect through “project planning & follow up”.

The next section introduces related literature under theoretical background heading. The research design and survey results, discussions are presented in the following sections. The final section explains the implication of this study and proposes further research directions.

THEORETICAL BACKGROUND

Organizations need to keep their stakeholders happy and satisfied. But, usually, stakeholders have different needs and conflicting expectations. Thus, organizations have to deal with a number of projects simultaneously under strict constraints. Professionals have been developing solutions to deal with multi-projects environments. One of these solutions is PMO. It is known that first PMOs emerged in fifties and sixties in the U.S. ministry of defense and the ministry of the American national aeronautics and space. In 1990s, technologies such as LAN and WAN facilitated system integration, and organizations built a number of systems to improve their control on processes and projects. This integration enabled the deployment of project management standards, tools, and procedures. All these improvements created an environment for PMOs to practice more efficiently. As a result, deployment of PMOs accelerated in nineties (Wells, 1999). Since 2000, the strategic importance of PMOs is understood. It is known that the service provided by PMOs is strategic and cannot be outsourced (Paulo, 2012; Singh et al., 2009; The Center for Business Practices, 2008).

At present, companies, not-for-profit organizations, and even universities have PMOs. Their power and responsibility, place in organizational structure, resources of these PMOs change from one PMO to another. Therefore, PMOs can be studied from different perspective such as cost structure, knowledge management practices, and portfolio management. PMOs can concentrate on reducing cost or improving output (Kendall & Rollins, 2003). From knowledge management perspective,
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