Impact of the PMOs’ Roles on Project Performance

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ABSTRACT

Organizations increasingly often set up project management offices (PMOs) in order to overcome the challenges of increased complexity and importance of projects, and thereby create value, but evidence for value creation, such as improved project performance, has remained scarce. This paper uses a sample of Finnish firms in order to evaluate the impact of PMO roles and processes on project performance. Using factor analysis and regressions, the authors show that the PMO’s coordinator and trainer processes have a positive association with project performance. However, a PMO in the role of a strategy manager has a negative impact on project performance.

KEYWORDS

PMO roles, Project Management Office (PMO), Project performance, Value Creation

INTRODUCTION

There are different reasons why it has become not only harder but also critical for organizations to run projects successfully (e.g., Shenhar, Dvir, Levy, & Maltz, 2001). First, it has become pivotal for managers to align their project processes with the strategy and structure of the organization (Dietrich and Lehtonen, 2005; Meskendahl, 2010, Van Der Merwe, 2002). Second, recent cases have shown that the degree of complexity in projects has increased. Third, projects are increasingly grounded in the value creation – for the organization itself as well as for its customers (e.g., Ahola, Laitinen, Kujala, & Wikström, 2008; Brady, Davies, & Gann, 2005; Kujala, Kujala, Turkulainen, Artto, Aaltonen, & Wikström, 2011).

In order to overcome the challenges of increased complexity and importance of projects in organizations, management offices (PMOs) may be an attractive solution. A PMO is an organizational unit that is permanently integrated into the project business of the organisation (Aubry et al., 2011). Structures, functions and processes of the organization aim at maximizing its value (Aubry et al., 2007). While some studies have shown that the PMO is able to improve project performance (e.g., Aubry & Brunet, 2016; Dai & Wells, 2004), others have failed to find evidence of a positive relationship between PMO, project performance and project success (e.g., Darling & Whitty, 2016; Unger, Gemünden, & Aubry, 2012). Typically, a PMO specializes in specific groups of tasks, and responsibilities such as ensuring that projects align with organization strategies, conducting project evaluations, gathering and disseminating project knowledge, developing competences and implementing standard (Desouza

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and Evaristo, 2006; Aubry et al., 2010). It may thereby adopt an individual behavior pattern as if it performed a particular “role” towards its stakeholders within the organization. Previous studies have identified the PMOs as an organization strategy manager (Aubry, Hobbs & Thullier, 2007; Monteiro, Santos, & Varajão, 2016), a knowledge manager and knowledge broker (Desouza & Evaristo, 2006; Julian, 2008), or a project performance upgrader (Artto, Kulvik, Poskela, & Turkulainen, 2011; Dai & Wells, 2004). Despite the apparent purpose of the PMO, which is to improve the performance and success of projects, empirical research has struggled to find correlations between PMO roles and project performance.

In this paper, we address this gap. We chose an approach by Müller et al. (2013) and Unger et al. (2012) and will define three roles, which a PMO may adopt: (1) the controller, (2) the coordinator, and (3) the supporter. Our empirical study will collect evidence in order to answer the question, which of these roles of the PMO affect project performance positively. More specifically, we analyze if a specific role is positively associated with project efficiency and effectiveness.

This study contributes to PMO performance literature (Aubry & Hobbs, 2011; Aubry, Richer, Lavoie-Tremblay, & Cyr, 2011). We adopt a typology of the PMO roles and processes by Müller, Glückler, Aubry, & Shao (2013) and Unger et al. (2012). We use in-depth primary data collected from 73 PMO managers in Finland in 2015. In the remainder of this paper will first introduce our concept of PMO roles and a measure of project performance. In the second section, we outline how we derived our hypotheses. Finally, we will show our empirical results, point out some critical managerial and practical implications, and provide some directions for future PMO research.

THE ROLES OF THE PMO

The specific sets of tasks, responsibilities and individual behavior patterns of a PMO that we call the roles of a PMO, determine how the PMO acts towards its stakeholders and describes the way in which the PMO accomplishes its goals. The roles may set expectations about methods and tools that are used in the PMO. Following the approach of Müller et al. (2013) and Unger et al. (2012) we define three separate roles, which PMOs may adopt: (1) the controller role, (2) the coordinator role, and (3) the supporter role.

The Controller Role

The notion of management control in general comprises the tactics, techniques and methods that are used in an organization in order to lead its sub-units in line with strategic goals (e.g., Ouchi, 1977). With regard to project management, control is often associated with authority, governance models, and restrictive rules that help to coordinate the project business. When PMOs adopt a controlling role, they may be responsible for program processes (e.g., Lycett, Rassau, & Danson, 2004), for portfolio processes (e.g., Meskendal, 2010), and for project management processes (Martinsuo & Lehtonen, 2007). They will be the home of procedures and tools that help to prioritize projects, to allocate resources and to lead people according to the goals of the organization. With regard to governance, PMOs may help to clarify objectives and interdependencies of single projects, and they can assist in defining procedures for reporting and monitoring (e.g., Lycett et al., 2004; Pellegrinelli, Partington, Hemingway, Mohdzain, & Shah, 2007). They ensure that projects will have a good fit with strategies, with structures and with the assets of the organization. They may ensure that long and short-term monetary benefits and risks of the project portfolio will stay balanced when new projects are added (Meskendahl, 2010).

The Coordinator Role

The term ‘coordination’ points to methods that allow processes and activities of organizations to be arranged in a way which creates synergy and allows operations to become effective (e.g., Artto et al., 2011). For example, organizations may need to reorganize their activities in order to adapt
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