

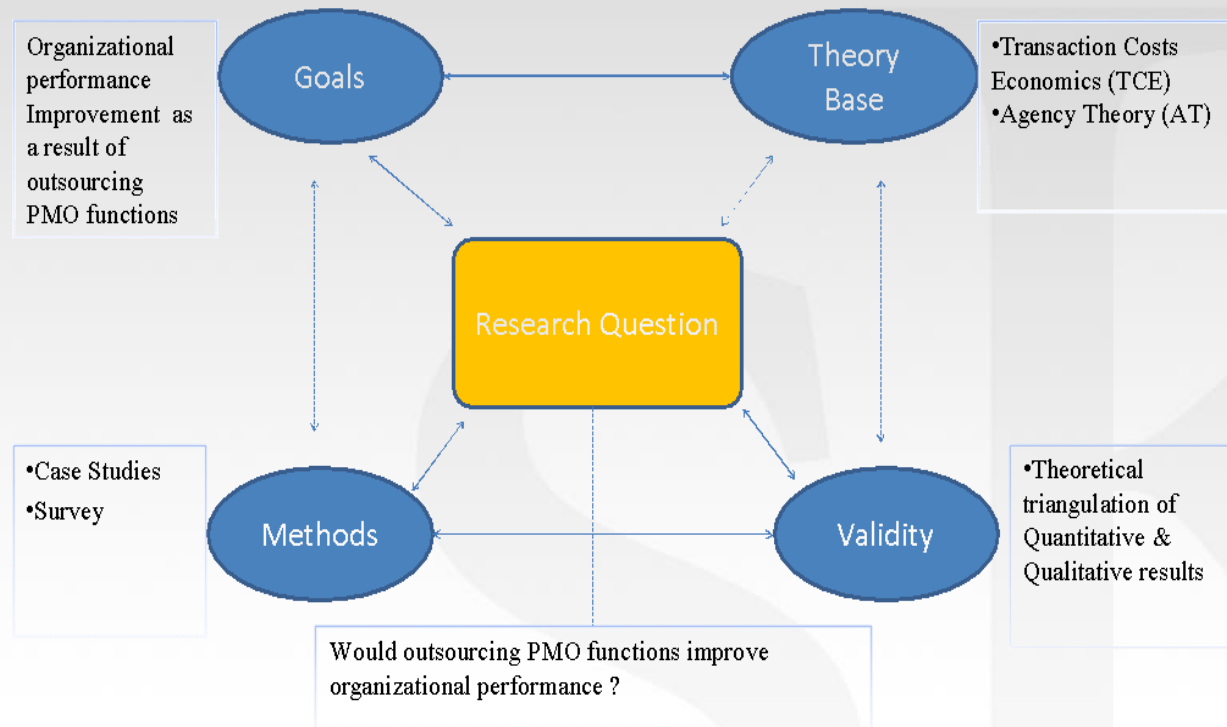


# **OUTSOURCING PMO FUNCTIONS FOR IMPROVED ORGANIZATIONAL PERFORMANCE**

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- **Background**
- **Academic Validity**
- **Findings & Discussions**
- **Conclusions**



*Adopted by Maxwell 2005*

Project Management Institute (PMI)

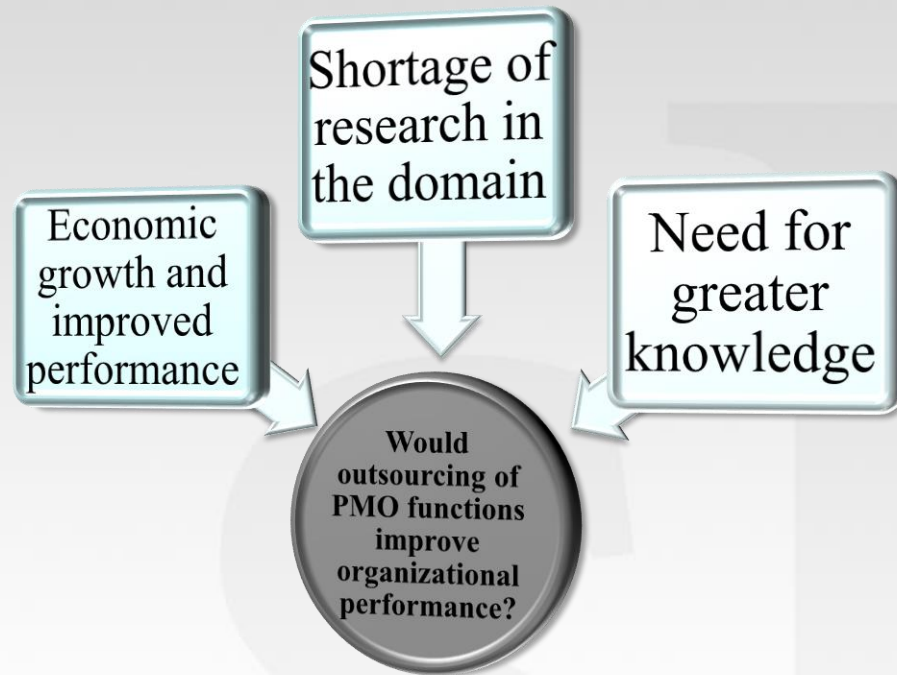
Association of Project Management (APM)

International Project Management Association (IPMA)

International Association of Outsourcing Professionals (IAOP)

- **Statement of problem**
- **Research questions**
- **Theoretical perspective & Contributions**
- **Practical perspective & Contributions**
- **Research Hypotheses**
- **Research design**

# Statement of problem - What Lead to research goal



The guiding research questions coming out of the review of literature are.....

1. “Do organizations have a better performance by having a PMO?”
2. “Which PMO functions were outsourced?”
3. “Which organizational performance improvements were accomplished through outsourcing of PMO functions?”

## **TCE** (*Transaction Cost Economics*)

Contributes to understanding Outsourcing decisions of PMO functions through understanding reasons and impacts. A Reduction of control mechanism and information imbalance respectively.

**Understand the organizational  
Performance perceived as a result of  
outsourcing PMO functions.**

## **AT** (*Agency Theory*)

Contributes to understanding the role Of governance and standards between the agent and principal

**Assess standards and governance of  
PMOs and evaluate whether outsourcing  
PMO functions has contributed to  
improve standards and governance.**



Understand the organizational Performance perceived as a result of outsourcing PMO functions.

Assess standards and governance of PMOs and evaluate whether Outsourcing PMO functions has contributed to improve standards and governance.

# Research Hypotheses & Research Model

**H1:** Organizations having PMO have higher level of perceived organizational performance

**H2a:** Outsourcing PMO function “Project Delivery” improves organizational performance

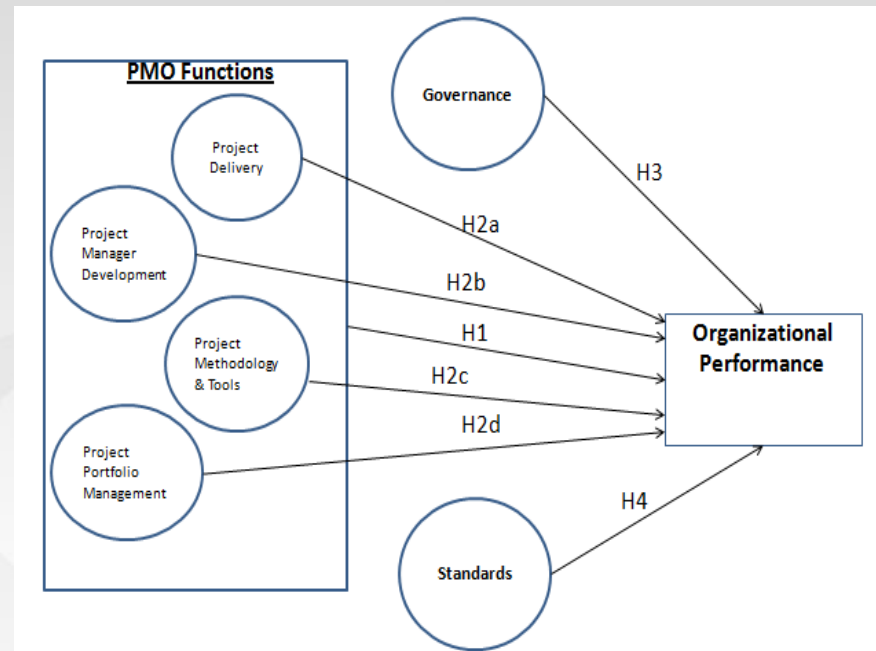
**H2b:** Outsourcing PMO function “Project Manager Development” improves organizational performance

**H2c:** Outsourcing PMO function “Project Methodology & Tools” improves organizational performance

**H2d:** Outsourcing PMO function “Project Portfolio Management” improves organizational performance

**H3:** The level of adoption of governance practices has a positive impact on organizational performance

**H4:** The level of adoption of Standards practices has a positive impact on organizational performance



**Philosophy**  
**Approach**  
**Strategy**

→ **Realism**  
→ **Mixed**  
→ **Case Studies and Survey**

## Why Mixed Method ?

*Allows a holistic understanding of phenomena existing through methodological triangulation that is otherwise not reachable by reliance on one methodology*

## Quantitative

### Pre-survey tasks

Survey instrument development  
Data collection strategy determination  
and effort

### Post-survey tasks

Data testing for reliability and  
assumptions  
Data treatments  
Statistical analysis

## Qualitative

### Pre- Case Studies tasks

Case Study instrument development  
Data collection strategy determination and  
effort

### Post- Case Studies tasks

Interview process and responses for data  
collection  
Data testing for reliability and assumptions  
Data sources management  
Analysis of case studies

- **Quantitative Findings**
- **Qualitative Findings**
- **Analysis of Findings**

# Quantitative Findings – Demographic Data

Geographic Location	Percentage
US	46.2%
Canada	24.6%
Europe	32.3%
Asia	20.0%
Australia	12.3%
Africa	9.2%
South America	16.9%
Other (please specify)	4.6%
<b>Total</b>	<b>100%</b>

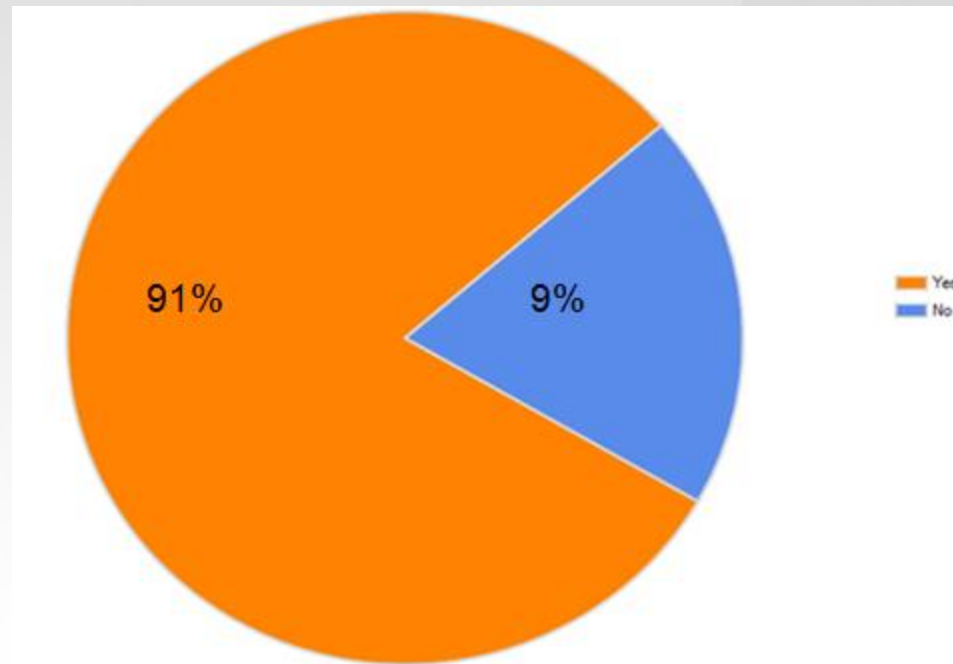
Job Category	Percentage
Leadership & Management (i.e., CIO, Senior Executive, Managers, Application Development Manager, Team Leader)	63.1%
IT Professional (i.e., Project Manager, PMO Professional, Process Engineer, System Engineer, System Designer/Architect)	26.2%
IT Operations (i.e., Computer Operator, Network Engineer, Security Professional PC Technician, Help Desk Representative, Database Administrator)	3.1%
Other (please specify)	7.7%
<b>Total</b>	<b>100%</b>

# Quantitative Findings – Demographic Data

Job Area	Percentage
Service Delivery	13.8%
Marketing	3.1%
PMO	18.5%
Sales	1.5%
IS/IT	20.0%
Engineering	3.1%
Project Management/BA	10.8%
Finance	6.2%
Line management	1.5%
Executive management	20.0%
Other (please specify)	1.5%
<b>Total</b>	<b>100%</b>

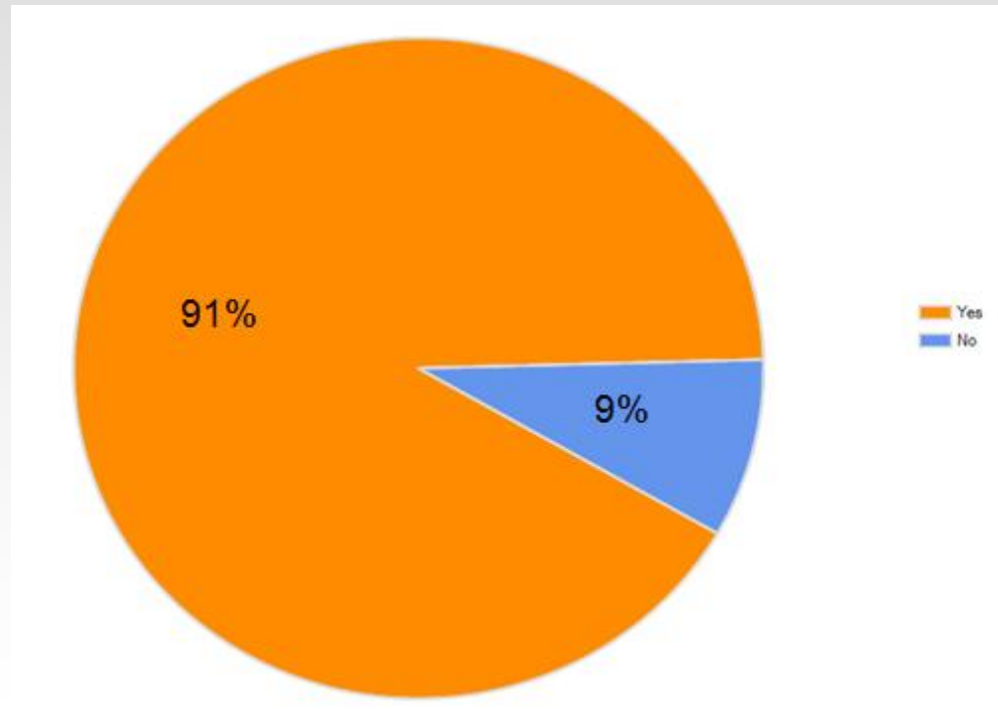
Industry Affiliation	Percentage
Finance/Insurance/Banking	20.0%
Professional / Business Services	10.8%
Healthcare	4.6%
IT	18.5%
Telecommunication	4.6%
Retail/Wholesale	3.1%
Manufacturing/ Engineering	15.4%
Government/ Public Sector	9.2%
Other (please specify)	13.8%
<b>Total</b>	<b>100%</b>

***Does your organization have a Project Management Office (PMO) or similar potential function with another title?***





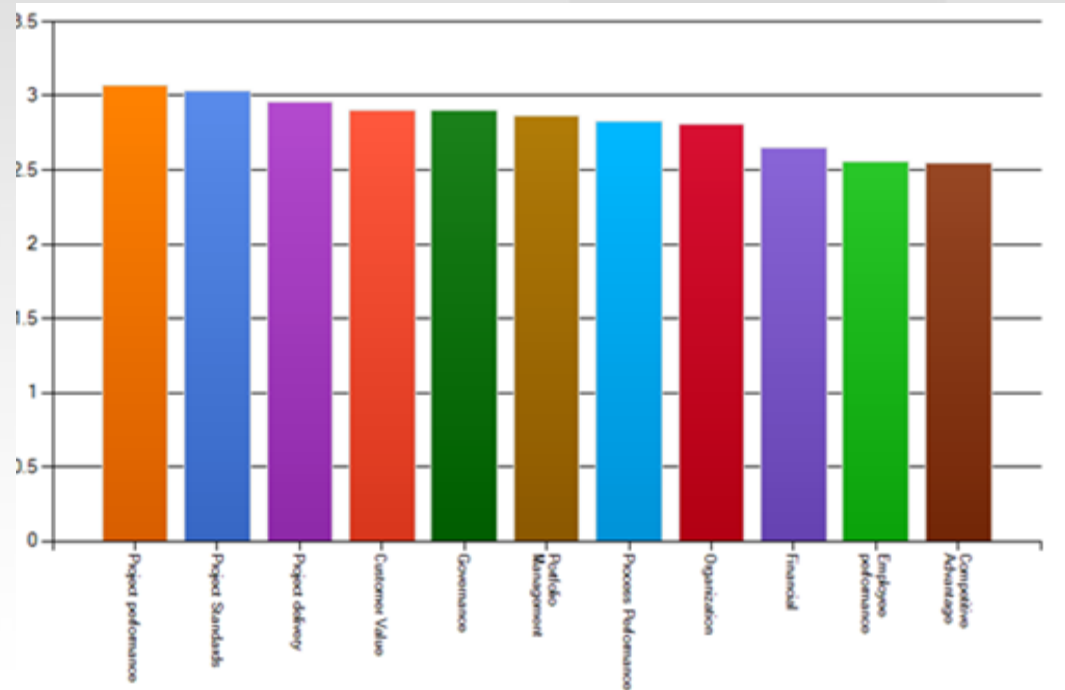
*In your experience, do organizations deliver overall better projects by having a PMO?*



*If you answered “Yes” to the Question above. please rate the improvements in the following performance elements in your organization?*

**The highest rating:**

- Project Performance
- Project standards
- Project delivery



*What role does or would your PMO play?*

**Project Control 50%**  
**Project Reporting**  
**Strategic Partner**

*What type of Authority does or would your PMO have?*

**Consultative Services 63%**  
**Compliance or Authoritative 55%**

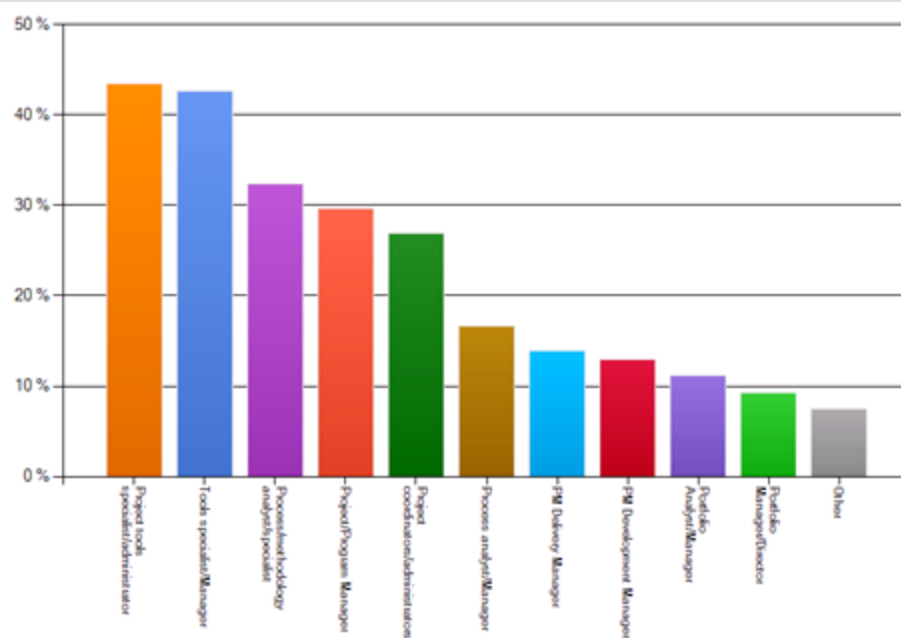
*What would those members / staff role be?*

**Project Managers / Program Managers**  
**Process and Tools Specialists**

*Which of these roles would your organization possibly outsource?*

## The highest rating:

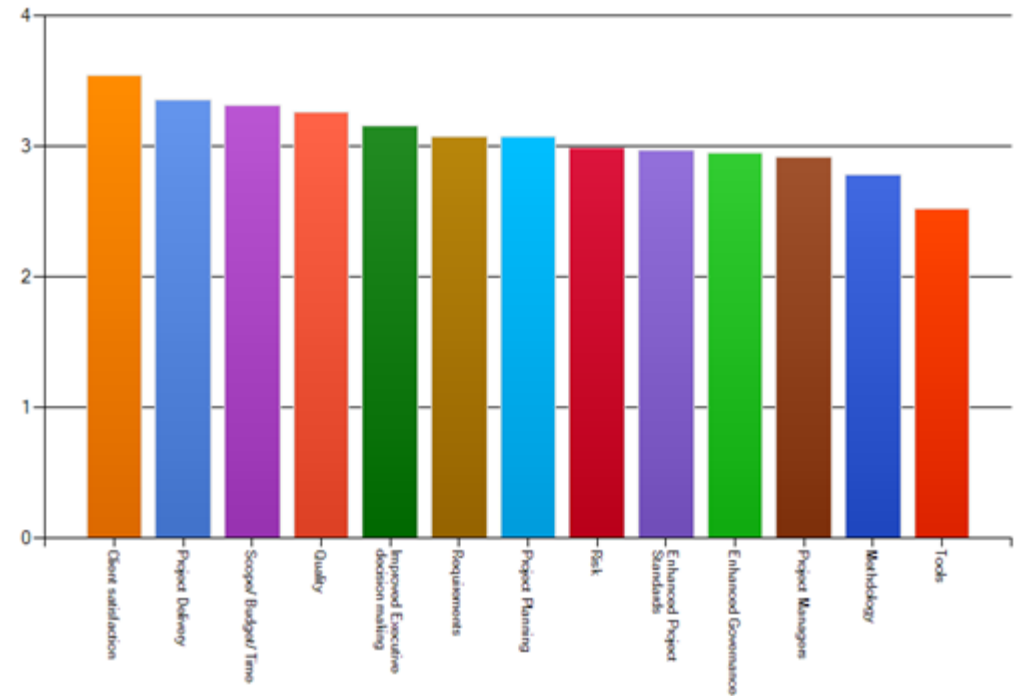
- Project Tools Admin/ Specialist
- Tools Specialists / Manager
- Methodology specialists
- Project / Program Managers



*Rate the importance of these project elements for your organization?*

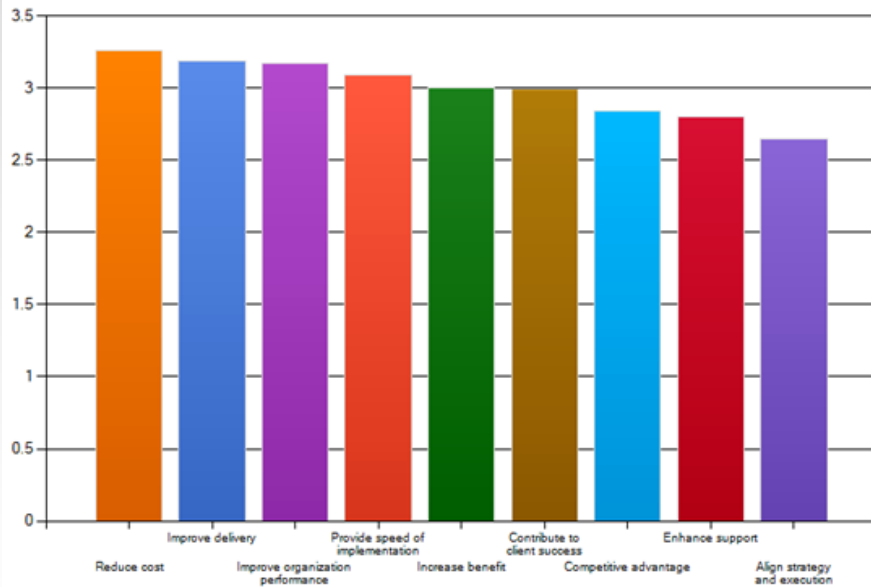
## The highest rating:

- Clients Satisfaction
- Project Delivery
- Scope, Budget, Time
- Quality



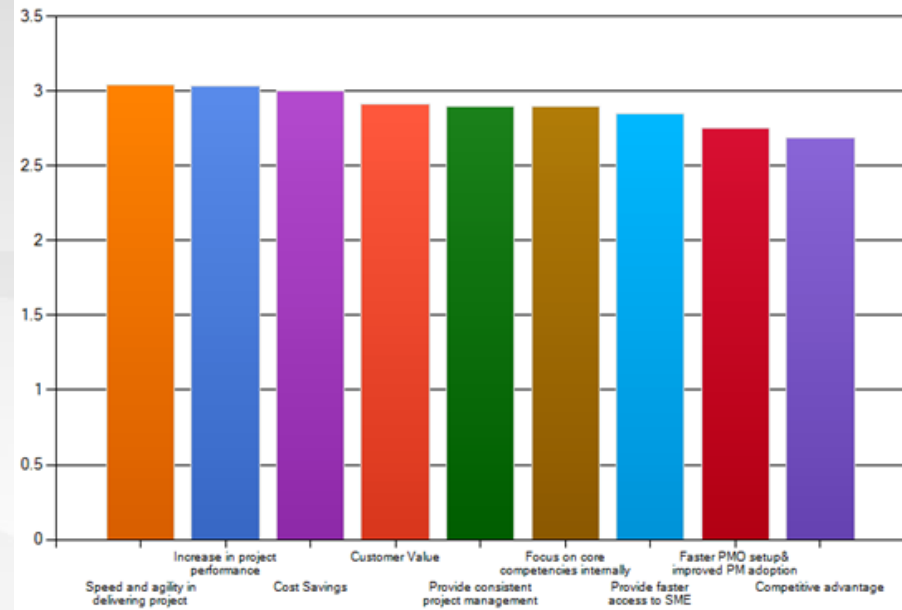
# Quantitative Findings – Outsourced PMO Benefits

Rate the importance of these outsourcing drivers to your organization for outsourcing in general?



***Importance of outsourcing drivers for outsourcing in general***

Rate the importance of these outsourcing drivers to your organization for outsourcing your PMO functions?

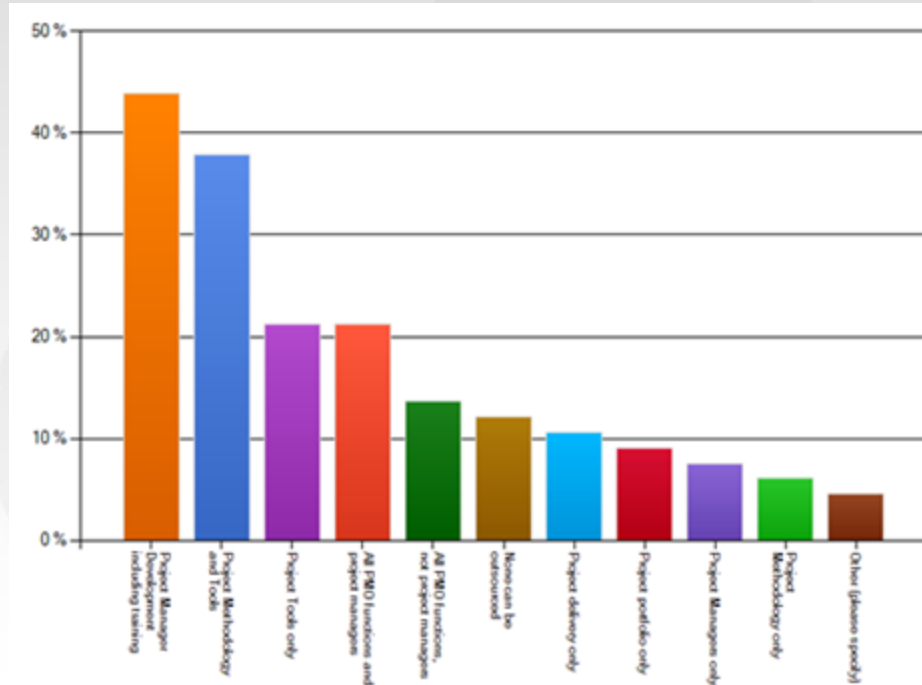


***Importance of outsourcing drivers for outsourcing PMO***

*Do you think your company would benefit from outsourcing the following:*

## The highest rating:

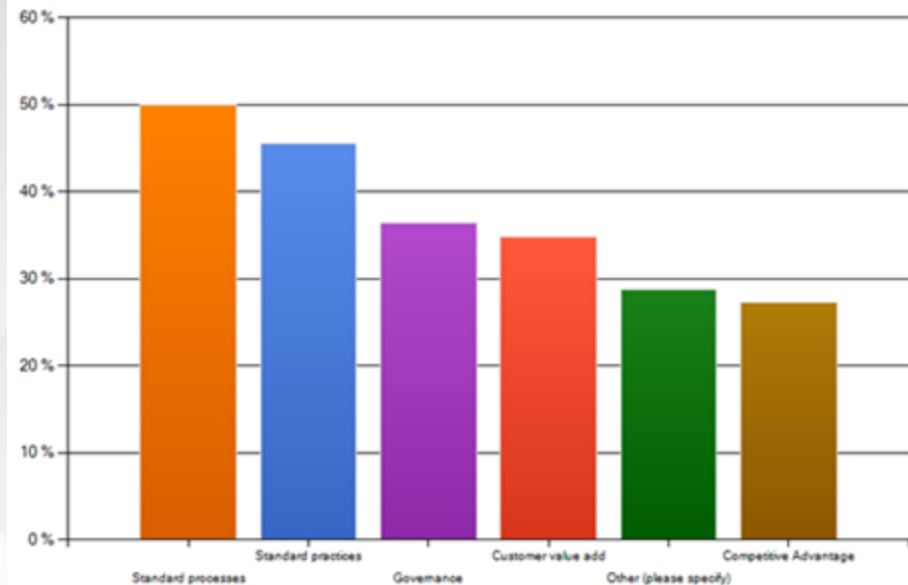
- Project Manager Development
- Project Methodology and tools
- Project Tools



*Due to outsourced PMO activities, my organization has better performance in the area of:*

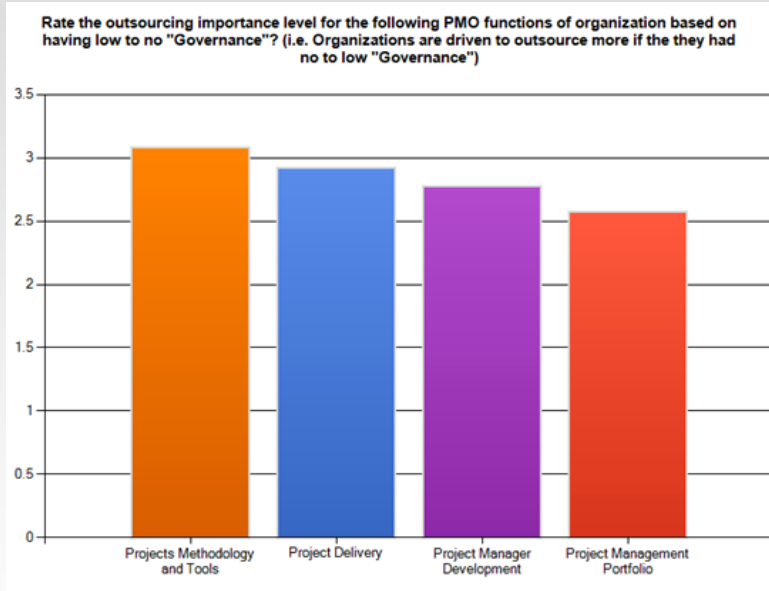
## The highest rating:

- Standard Processes
- Standard Practices
- Governance

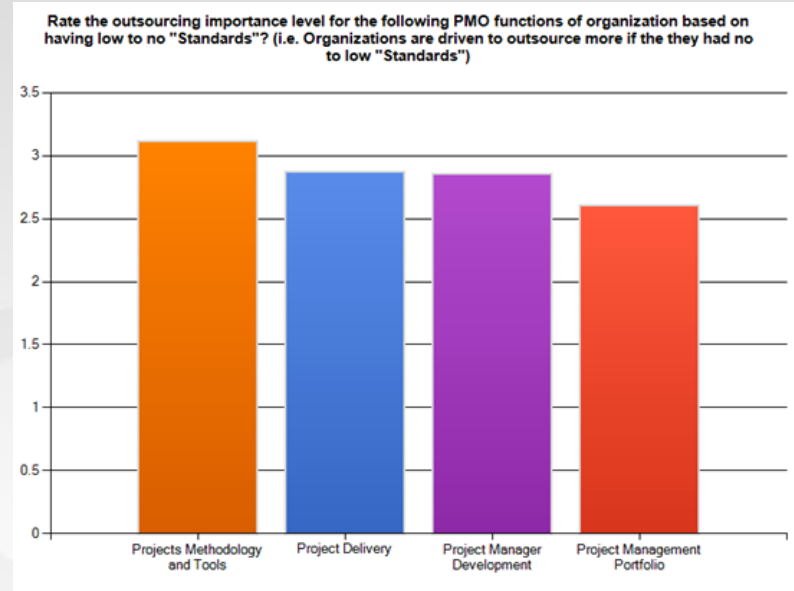




# Quantitative Findings – Outsourced PMO Benefits



***"Governance" impact on outsourcing PMO functions***



***"Standards" impact on outsourcing PMO functions***

**The multiple case studies represent different industries and geographic locations.**

- The first case is conducted in the financial retail industry in India.
- The second case is conducted in the energy and power industry in the US.
- The third case is conducted in the manufacturing industry in the US.
- The fourth case is conducted in mining industry in South Africa.

**Each case study has been detailed as follows:**

- Description of the case organization
- Description of the outsourcing organization
- State of PMO before outsourcing
- Functions outsourced
- Benefits and Summary

**ABC Financials** had a PMO prior to outsourcing it; it is relatively a small PMO that is mandated to set-up and run project and portfolio best practices. PMO wasn't able to manage the portfolio, and runs projects haphazardly. One challenge is the lack of governance which leads often times to random project selection and at other times to biased project selection. Another challenge is lack of standards which allows projects to be run based on project managers' skill sets rather than being organized based on formalized standards

## **Outsourced functions:**

- Project Methodology & Tools
- Project Managers Development
- Portfolio Management

**BPH** didn't have a PMO before their outsourcing agent P JL 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 adopted the approach of 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.

## **Outsourced functions:**

- Project Methodology & Tools
- Project Managers Development
- Portfolio Management
- Project Delivery

Common characteristics in all cases were:

- 1- Multiple stakeholders with similar organization structure,
- 2- Outsourcing drivers,
- 3- Desired outcomes.

Common drivers for in all cases were:

- 1- Improve standards, improve governance,
- 2- Access to SME, speed of delivery, and improve cost.

Common ultimate desired outcomes were:

- 1- Improve organizational performance in customer value add
- 2- Improve competitive advantage

Outsourcing PMO functions directly contributes to organizational performance

Outsourcing PMO functions relates to economic benefits.

Both Governance and Standards impact outsourcing decisions

All four case studies are indication of a relationship that the outsourcing PMO functions contributed to improving organizations performance through

Better quantification of business demands and improve value add to the business;

Understanding the progress throughout the life cycle of the project and the impact of that project on business strategy,

Improve competitive advantage

Improve client satisfaction.



Overall improvements were clear in the following:

*Improved Governance*

*Improved Standards*

*Improved Client Satisfaction*

As a result of improved governance and standards, the delivery is happening in a consistent and timely manner; hence, customer value is gained by improved turnaround and cost/ budget improvement



## Questions & Answers

