The PMO Rosetta Stone
Defining Organizational Structures and Responsibilities

Organizations use the term “PMO” to describe a wide variety of organizations with almost limitless responsibility permutations. Although there has been a lot of focus on the migration to an “EPMO” structure, the PMO Executive Council thinks that the “P” and the “M” are just as—and possibly more—definitive than the “E” when describing an organization’s structure and responsibilities.

In our view, the presence or absence of the “E” simply defines the PMO’s span of influence, whereas the “P” and the “M” define the PMO’s scope of responsibilities—what the PMO really does. The “P” may stand for portfolio, program, project, or a combination—and the “M” may stand for managing or monitoring.

Several years ago, many practitioners thought of an EPMO as a strategic group responsible for defining and executing a consolidated portfolio of IT and business projects and managing them as a single portfolio across the enterprise. However, the emergence of the IT EPMO, among other models, calls the definition into question—and forces us to consider whether we are focusing on the right distinctions among PMO organizations.

There are three questions to consider when deciphering what a PMO really does:

- What are its strategic and operational responsibilities?
- How are those responsibilities distributed among various PMO organizations?
- Where do project managers report?

What strategic and operational responsibilities will the project management function have?

The first questions are what the “P” and the “M” really stand for: At what points in the process and at what level will the PMO participate?

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<th>Portfolio Composition</th>
<th>Monitoring/Auditing Focus: PMO generates value through monitoring portfolio status and health, recognizing emerging portfolio risks, and possibly ensuring compliance with corporate standards.</th>
<th>Operational Focus: PMO generates value through project execution tasks, including managing project managers, defining methodology, and allocating resources.</th>
<th>Strategic Focus: PMO generates value through strategic activities such as portfolio management, portfolio governance, capacity management, executive reporting, and standard setting.</th>
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<td>Business Focus (e.g., new product development/ R&amp;D, market expansion, and real estate projects)</td>
<td>Business Portfolio Monitoring Office</td>
<td>Business Project/Program Management Office</td>
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<td>Cross-Functional Focus (e.g. a balanced mix of business and IT projects)</td>
<td>Corporate Portfolio Monitoring Office</td>
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<td>IT Focus (e.g., process automation, infrastructure, customer interface, and business intelligence projects)</td>
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First, we'll consider the “M.” A sizeable minority of PMOs focus their effort on portfolio and project monitoring and auditing, without getting involved in project execution or portfolio selection. In this case, the “M” stands for “monitoring.” However, the majority of PMOs play a more active role in either portfolio selection and governance or project execution. In these organizations, the “M” stands for “management.” The “management” set of responsibilities usually includes all of the activities that a “monitoring” PMO is responsible for, but the organizations are occasionally separated to provide a degree of impartiality.

The “P” can be even more problematic. It can represent project, program, or portfolio; this leads to a real problem in understanding what functions a group performs when it simply describes itself as a PMO. We believe that the “P” should be defined by the functions the organization performs—not by where it reports or the structure of its organizational chart (although those factors are frequently influential). Consequently, most PMOs are shaped by two defining characteristics: the portfolio composition and the organizational mandate.

Adding further complication, we often see PMOs spreading their effort over several of these categories. Project management offices, even those with an operational focus, usually have a portfolio status and health monitoring component included among their responsibilities. Occasionally, we also see larger enterprises with portfolio management offices that retain the operational responsibilities of the project management office.

Project Portfolio Composition
The primary component is relatively easy to judge. For many PMOs, the portfolio is dominated by IT projects (which are frequently part of larger business-facing initiatives). For others, business projects such as new product development, business expansion, and real estate development projects, represent the majority of the portfolio. For a very few, the portfolio is a balanced cross-functional mix.

We often see a progression of responsibilities where the organization starts with an IT PMO, then mirrors that structure within various non-IT areas, and over time builds more strategic project and portfolio management competence. We often see the portfolio management functions for IT and non-IT areas eventually converge in a corporate portfolio management office, even though project execution may still be divided across IT and various business units.

Mix of Strategic and Operational Roles
The secondary component is sometimes more difficult to nail down. We frequently see PMOs commissioned as monitoring and reporting organizations mature into operational and strategic roles as they build organizational credibility and competence. They initially focus on establishing a clear line of sight into portfolio status, health, and performance. As they mature into operationally focused structures—true project management offices—they typically focus on the more delivery-oriented facets of project management, including standardizing methodology, managing talent (even when the PMs don’t report to them), assigning resources, and enforcing standards and governance processes. Portfolio management offices usually take a more strategic view of project management, focusing their effort on shaping the project portfolio through the selection and prioritization process, the design of the portfolio governance process, the establishment and maintenance of standards for methodology rigor and process compliance, and executive-level relationships within the organization.
How will these responsibilities be distributed among various PMO organizations?

Few organizations fit neatly into one category or another, and there is no one ideal organizational structure. In fact, most PMOs have an amalgam of responsibilities in their mandate that span multiple PMO archetypes. In addition, many organizations have more than one type of PMO—and more than one of a given type of PMO. The following are descriptions of the most common organizational structures that we run across; your organization may or may not resemble these—and your organization may span more than one of these models. PMOs and EPMOs of similar types are shown together. Whereas the “E” in EPMO often formerly signified a highly strategic component in the PMO’s mandate, we are finding that members are using the “E” to simply denote span of influence across the organization, not scope of responsibility. In most cases, for instance, an enterprise portfolio management office is much more similar to a (non-enterprise) portfolio management office than it is to an enterprise project management office.

The Portfolio Monitoring Office Model

For many organizations, the portfolio monitoring office is the first PMO group that they establish. Responsible mainly for monitoring the status and health of projects within the portfolio, these organizations frequently expand into an auditing role over time. In this auditing capacity, they are also responsible for ensuring that project managers, and sometimes PMOs, are fulfilling the requirements of standardized practices.

As organizations mature, they sometimes move to consolidate their total project portfolio reporting effort into one organization—the first version of EPMO that we regularly encounter. This EPMO—in our language, the enterprise portfolio monitoring office—aggregates project- and program-level data from across the enterprise and synthesizes it into a more easily digestible format for senior management.
These portfolio monitoring offices sometimes continue to exist even when organizations form project management and portfolio management offices; their function, to monitor and audit, is sometimes seen as a critical capability that requires some independence from project and portfolio management. It is not unusual to see a portfolio monitoring office sitting alongside a project management office and portfolio management office, either in name or form, within a single organization.

Most organizations establish a project management office structure of some sort to improve project delivery performance and increase consistency. The majority of strategic project portfolio activities are done outside this PMO. Some organizations stick with this structure because of the company’s structure—federated and independent business units, for example—and others because it’s uneconomic to move to other organizational structures. Organizations with less than $30 million in annual project spend within a portfolio often find this model serves them well over the long term.

Note that most organizations do not have all of these PMOs. Many companies have only one PMO—an IT PMO—that reports up through the CIO’s organization. PMs are, as often as not, decentralized and report through the various business units with dotted-line relationships to the PMO.

In many cases, we see PMOs operating in this structure wearing multiple hats. While they are nominally tasked with project execution, they are also beginning to be pulled into many of the strategic activities that a more portfolio management-oriented leader would participate in. However, the need to attend to day-to-day project execution responsibilities often prevents the PMO from focusing enough on strategic activities to develop deep competencies and to earn the confidence of senior management.

The shift to an enterprise project management office provides organizations with the opportunity to drive cross-silo standardization and encourage enterprise-wide resource visibility. Many organizations use this definition for EPMO, even within a particular portfolio—often an IT EPMO that is responsible for all IT projects across the organization. Organizations frequently see an improvement in project quality and efficiency by making this transition.
As organizations mature and project budgets grow, senior executives often find value in separating strategic and operational project management activities. Most of our members with IT or business project portfolio budgets of more than $200 million find it beneficial to separate the activities. The additional cost of the portfolio management office is offset by the efficiencies it adds.

Some enterprise portfolio management offices subsume the enterprise project management office structure underneath them, while others are content to have multiple project management offices spread throughout the organization. We often see portfolio management office leaders retaining a small number of project or program managers within their organization. These “super” PMs are typically tasked with executing the largest and most strategic projects in the company’s portfolio and rescuing important projects that have become troubled.

**The Future of Corporate IT: The Corporate Portfolio Management Office**

As the largest and most progressive organizations build strong portfolio management functions for both business and IT project portfolios, they often find that there are additional scale benefits to realize through collapsing the portfolio management offices. These organizations place all of their portfolios into a central corporate enterprise portfolio management office that not only manages the independent portfolios well, but also finds ways to make trade-offs and uncover synergies among portfolios. Organizations that achieve this maturity in project management often find themselves working side by side with corporate strategy and finance leaders to ensure strategic alignment of project spend with corporate vision—fully becoming a strategic business partner.

**How will project managers be distributed through the enterprise?**

Project manager reporting structures have gone through a number of transitions over the past few years. Many organizations centralized project managers to improve the level of standardization across the enterprise and capture scale and scope benefits. The initial results were very positive.
According to our research, EPMOs realized up to 11% cost savings. However, EPMO leaders also soon discovered that their PMs were losing their connection with the business—and plummeting stakeholder satisfaction in many organizations provided a call for change. Deploying the PMs back into the business—while maintaining standards, process, and visibility through the EPMO—is the current trend.

**Inconsistent Standards and Performance**

Siloed organizations provide locally customized service—at the cost of enterprise-wide standardization and efficiency.

**Increased Performance Through Centralization**

An aggregated function delivers standardization—but at the cost of its PMs losing business context and diluting relationships.

**Bringing PMs Back to the Business: Hybrid Structure**

Hybrid structure captures the most scale benefits while keeping PMs closely aligned with the business.

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**Putting the Organization into Perspective**

The organization structures profiled here are only a few representative samples of the wide range of models that we commonly see. The diversity presented illustrates that PMO organizations come in all shapes and sizes and that those “PMO” initials can hide a lot of important detail. Rather than focusing on the differences between a PMO and an EPMO, leaders should focus on the difference between monitoring and managing, and project, program, and portfolio. Making sure that there are clear definitions of where each of those sets of responsibilities lay within the organization is critical to the success of the PMO function.