The Strategic Importance of the PMO in Driving Business Value for Industrial Manufacturing
Executive Overview

Industrial manufacturing companies face a highly uncertain business environment operating in the post-financial-crisis global economy. Leading industrial manufacturers are navigating the high-level of business and financial uncertainty through more centralized management of their projects. Such companies have sought and realized improvements in project delivery performance by implementing Project Management Offices (PMO) to support the organization’s project delivery success.

According to the Project Management Institute, a PMO is an organizational unit that centralizes and coordinates the management of projects under its domain. The PMO focuses on the coordinated planning, prioritization and execution of projects and subprojects that are tied to the parent organization’s or client’s overall business objectives. As a best practice, a PMO should report into a senior level officer of the company so that it can receive the executive-level attention and resources necessary for its success.

Companies that recognize the value of implementing a PMO have found it critical to have a single system of record to support and deliver on the PMO’s charter. A single system of record performs the vital role of bringing together the diverse groups of people spread across organizational, geographic and time zone boundaries to effectively collaborate around delivering on the long-term goal of the project. Enterprise Project Portfolio Management (EPPM) solutions provide the single system of record that PMOs need to successfully accomplish their goals.

Oracle is a leader in EPPM solutions. Oracle’s Primavera EPPM solutions provide all participants with the visibility they need to stay synchronized no matter their organization, their geographic location or their time zone. Additionally, Oracle’s Primavera solution provides the roll-up visibility and collaborative capabilities that allow project managers and management stakeholders to take the corrective action needed to keep projects on track. Ultimately, Oracle’s Primavera EPPM solutions for Industrial Manufacturing support the PMO in fulfilling its charter, enabling the organization to successfully manage its commitments despite the volatility of the current business climate.
Industrial manufacturing companies can support initiatives establishing a Project Management Office (PMO) by understanding the important role a single system of record plays in bringing together diverse project participants across the organization.

Current Business and Financial Uncertainty

The post-financial-crisis global economy poses a heightened level of marketplace uncertainty for industrial manufacturing companies. Financial markets have swung wildly, surging and retreating at the newest signs of crisis unfolding around the world. Sovereign debt crises in a number of countries have brought fresh reminders of the fragile but recovering state of the global economy. Meanwhile, rippling effects in the foreign currency markets have produced significant volatility in commodity and basic materials markets. This level of unpredictability has translated into an overall rise in business and financial uncertainty.

Additionally, new competition in emerging markets pose challenges for industrial manufacturers trying to make and meet project commitments. Some analysts suggest new competitors will, over time, put pressure on prices for the material and human resources needed to support the industry.

In this challenging environment, some leaders have positioned themselves to absorb the heightened level of uncertainty and boost their project delivery success. These leaders are boosting their project success rates through centralized management and delivery. Their experience is generally instructive for companies tackling initiatives to improve project delivery success.

Importance of the Project Management Office (PMO)

The Project Management Office (PMO) typically serves to plan, prioritize, monitor and report on the real status of each project to participants, project managers and management stakeholders. The PMO also allows measurement of project performance in a systematic way so improvements can be made with each project completed. Companies benefit from the tighter alignment that PMOs produce between the day-to-day execution of projects and the overall strategic objectives of the organization.

According to the Project Management Institute, a PMO is an organizational unit that centralizes and coordinates the management of projects under its domain. The PMO focuses on the coordinated planning, prioritization and execution of projects and subprojects that are tied to the organization’s overall business objectives. As a best practice, a PMO should report into a senior level officer of the company to receive the executive-level attention and resources necessary for its success.

Many companies typically find that project management is fragmented and done on an as-needed basis resulting in inconsistent approaches across projects. Ad hoc approaches, storing data in spreadsheets spread across desktop computers and managing common project data across a variety of collaboration
tools are some of the ways in which some industrial manufacturers approach project management. Many of these companies report that projects frequently experience changes in scope, either because of shifting customer requirements or because of other internal factors ultimately driving delivery later than planned or over the original budget. Additionally, companies report limited processes and training of personnel and also indicate they operate in a very reactive environment, not conducive to supporting strategic planning. Because of these differing approaches, companies fail to learn from each project they execute to improve delivery success over time.

Industrial manufacturing companies recognize the need to drive their project management within a single framework allowing the management of changing customer requirements, ensuring contributors and subcontractors separated by organizational and geographic boundaries can work together, while allocating and tightly tracking project progress against project plan. Consider, for instance, that a recent Economist Intelligence Unit study of industrial manufacturers found that survey respondents understood the value of project management in their business. Note, however, that few survey participants had reduced that understanding to practice in the form of consistent methodology, process or tools. Consider further that the disparate set of approaches taken within a company creates challenges in tracking and accounting for project progress.

A PMO addresses these problems by centralizing the project management function. A PMO provides a consistent approach, supplemented with the right project management expertise, tools and processes needed to support the organization's project delivery objectives. The availability of personnel trained in project management who are aware of other aspects of the organization's delivery commitments helps to keep the organization coordinated and on track. And executive-level oversight ensures the PMO receives the right level of attention and resources to be successful.

---

Single System of Record Key to PMO Success

Industrial manufacturing companies that have implemented a Project Management Office (PMO) report gains in overall project delivery success. The use of a single system of record plays a significant role in bringing together diverse parts of the organization around the PMO’s charter. The single system of record functions as the mechanism providing visibility and accountability across the organization.

The single system of record is used by all project participants across organizational, geographic and time zone boundaries to drive achievement of the day-to-day objectives of a particular project. This single system of record creates visibility into the real status of projects for all project participants. It allows contractors and subcontractors to status their projects as work is accomplished. Project managers are able to see what work has been accomplished, what work remains to be done and where the project stands in terms of planned cost and schedule.

Moreover, the single system of record allows project managers to see the impact of delay across projects. A single system of record provides all of the relevant cost and schedule data in one place arming project managers with the right information to take appropriate corrective action. Spreadsheets of data from multiple sources do not have to be compiled and days do not have to go by before the resultant impact of changes in material costs, schedules and resource availability are understood. Project managers can continue to keep a project on track in a volatile environment because all changes are made to the single system and are reflected in real-time.

Additionally, a single system of record serves as a common repository for the organization’s knowledge and experience in delivering projects. This repository of information helps the project management team in the PMO leverage the lessons learned in projects the organization completes. The PMO can use this information to monitor performance over time and report on the direct impact it is having on the organization’s delivery performance. The PMO and the organization benefit from understanding its own performance on past projects and being able to set expectations for improvement on subsequent efforts.

Enterprise Project Portfolio Management (EPPM) systems perform the vital function of providing the single system of record that PMOs need to deliver long-term project success. EPPM systems provide a common system where all project participants can work together and stay coordinated and synchronized on project work. They help project managers assess the impacts of changes to costs, schedules and resource and contractor availability. They help key decision-makers at all levels of the organization understand the real status of projects and enable them with the appropriate information to support proactive decision-making. EPPM systems also serve the important function of being the central repository of knowledge reflecting the organization’s performance on projects over time. Ultimately, EPPM systems facilitate analysis and insight so that project delivery sees incremental improvement and demonstrable impact on the company’s business results.
Oracle Leads in Enterprise Project Portfolio Management

Oracle is a leader in providing Enterprise Project Portfolio Management (EPPM) solutions for Industrial Manufacturing. Many customers who have implemented EPPM solutions as part of their PMO initiative realize their improvements in project delivery success through the collaborative framework a single system of record provides for coordinating and controlling project activity. This single system of record is essential for all project participants and management stakeholders to collaborate across organizations, geographic boundaries and time zones, staying on track to meet the immediate and long-term objectives of their projects. Additional benefits that customers have realized are as follows:

- Obtain immediate transparency and access to budgets, resource allocations and project status
- Respond to changing priorities while effectively coordinating multiple projects
- See performance details for each business unit that can drive down costs and free up cash
- Provide the visibility needed to manage risk in a volatile business environment
- Leverage probabilistic cash flow analysis at both the project level and across projects—taking into consideration the risk and uncertainty of the project—to help identify possible areas of over- and under-allocation.
- Pose “what-if” scenarios, allowing stakeholders to see in real terms how even a slight contingency will affect the project and how different responses will impact the budget and schedule
- Increase cross-departmental productivity through better planning, allocation of resources, and cross-training to optimize operating costs
- Promote collaboration across the virtual enterprise

Oracle’s Primavera EPPM customers in Industrial Manufacturing find they can effectively improve their overall project delivery performance. They have discovered they can support the long-term success of their PMO initiative by understanding the vital role the single system of record plays in enabling collaboration, visibility and accountability across the enterprise. Leading companies are using Oracle’s Primavera solutions to actively improve their project delivery performance.
Conclusion

Industrial manufacturing companies face substantial business and financial uncertainty in the post-financial-crisis global economy. Leading companies have positioned themselves to improve their project delivery performance by implementing Project Management Offices (PMO) focused on centrally administering and delivering projects on-time, on-budget and within the scope requirements originally envisioned. A single system of record is vital to enable the collaboration, visibility and accountability necessary to keep projects on track, ultimately supporting the long-term success of any PMO initiative. Oracle’s Primavera Enterprise Project Portfolio Management solutions can help industrial manufacturers implementing a PMO.
The Strategic Importance of the PMO in Driving Business Value for Industrial Manufacturing

November 2010

Oracle Corporation
World Headquarters
500 Oracle Parkway
Redwood Shores, CA 94065
U.S.A.

Worldwide Inquiries:
Phone: +1.650.506.7000
Fax: +1.650.506.7200
oracle.com