

Challenges in the Implementation of Project Management Office (PMO): “A Case Study of Health Care Construction Project”

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Abstract

In the present global environment, projects in the business and industries are becoming complex and highly competitive which requires organizational restructuring and improvising business models. Implementation of the Project Management Office (PMO) has appeared as a strategic response to critical business challenges. The project management office (PMO) is a centralized management structure that standardizes project-related governance processes and facilitates the sharing of resources, tools, methodologies, and techniques. However, this fast-growing concept of PMO in the world of project management has its own challenges and several factors need to be considered while implementing a successful PMO. This case study explores the challenges of implementing PMO in the Health care construction project. A qualitative research methodology is adopted through semi-structured interviews with four PMO Managers who were part of the transition from External PMO to In-house PMO and played a pivotal role in its implementation. The case study highlights the challenges of implementing In-house PMO such as opposition from key stakeholders, Inadequate planning in a transition from external to in-house PMO, lack of PMO expertise within the organization, Communication gap among team members, non-co-operative behavior from external PMO members and conflicting priorities. In a nutshell, the primary reason for the devastating consequences was the improper planning of change management in a transition phase. It was further suggested that the change should be gradual, iterative, and incremental. The analysis of this study will be helpful for organizations aiming to develop a PMO.

Keywords: Project Management Office, Health care, Stakeholder Satisfaction, Project Management Institute (PMI), and Internal and External PMO

1. Introduction

A project management Office (PMO) as defined in PMBOK 7th edition is “A management structure that standardizes project-related governance processes and facilitates the sharing of resources, tools, methodologies, and techniques” *PMBOK-PMI*. A project management office (PMO) is an evolving concept in this era that is recognized to be a central repository pool for management tools and methodologies and helps achieve an organization’s successful execution of the project and related organizational activities (Sandhu et al., 2019). It plays a pivotal role in meeting project requirements, improving project efficiency, and bringing innovation in design and construction (Oliveira et al., 2017; Qi et al., 2014)

Among several benefits of implementing PMO, one major benefit is in achieving the project iron triangle (Cost, Schedule, Quality) which ultimately leads to customer expectations (Zid et al., 2020) and stakeholder satisfaction (Alblooshi et al., 2022). Despite its immense benefits researchers have highlighted several factors that need to be considered while implementing a successful PMO (Universiti Tun Hussein Onn Malaysia et al., 2021). These challenges are impeding the successful implementation of PMO.

In the present global environment, project businesses and industries are becoming complex and more diversified, and hence they are facing a wide variety of challenges in the execution of their own proposed projects (Sandhu et al., 2019). A few major challenges reported are shortage of resources, inconsistency PM processes, and methods, lack of coordination between multiple running projects, lack of leadership, rigid corporate culture, and improper selection of projects that ultimately will fail to meet the larger strategic goals set for the projects (Sandhu et al., 2019; Singh et al., 2009). To overcome these challenges, it requires a subtle and clear understanding of the health care construction landscape. Leveraging the PMO practices helps in navigating the challenges and complexities that lie in the health care construction by providing standardized project management methodologies, effective change management strategies, or provide motivation to the staff against the status quo toward the achievement of the project (Sandhu et al., 2019; Alblooshi, Subramonian, & Husseini, 2022)

Therefore, this study aims to answer the following research questions:

RQ1: What are the challenges incurred during the transition from External PMO to Internal PMO in the health care sector?

RQ2: How can hospitals overcome these challenges?

These findings will help the health care industry practitioners to understand the crucial steps taken to encounter the challenges while implementing In-house PMO and its effectiveness in organizational performance.

2. Case Study

Construction of the XYZ Hospital in Karachi started early in 2013. The XYZ Hospital has hired an External PMO firm whose function was to monitor and control project work and to ensure the adoption of project management frameworks and methodologies, provide templates, forms, and tools, and ensure conformance to governance frameworks.

Over almost three years, there was a very slow construction progress when compared to the project schedule. The PMO did not have any proper justification for the delay. Later on investigation, it was discovered that the slow progress was due to delayed decision-making, communication barriers, inadequate resource allocation and optimization, improper risk mitigation strategies, and inconsistency in producing quality deliverables leading to rework and scrap. Overall, the lack of standardization of processes across the organization and project management capabilities were evident in every phase of the project.

Another challenge was the lack of technical expertise or knowledge to effectively guide and oversee project contractors, consultants, architects, etc. leading to conflicts and disputes.

The above challenges triggered the transition from External PMO to the implementation of In-house PMO, however, the change was not easy.

3. Literature Review

The history of PMO is very old, it has been in existence since the early 1800s (Bell, 1805) and was developed for the improvement of agriculture in the UK. In the early 1900s, the term Project Office was extensively used particularly in the context of integration with civil infrastructure projects. For the first time, in 1939 the term “Project Management Office” was used. In the 1950s it evolved as a transitional PMO. This typology of PMOs was seen in the apex industries of the time such as space and aerospace (Larman & Basili, 2003). PMOs broadened their extent in commercial and government sectors in the 1960s and developed through to current times.

However, it was in the late 1990s that the PMO concept increased rapidly in commercial and government sectors (Darling & Whitty, 2016). PMO immensely enhances the ability of an organization in successful project delivery (Aubry et al., 2011). In the context of the PMBOK Guide – Seventh Edition, the project management office (PMO) represents a management structure that standardizes project-related governance processes and facilitates the sharing of resources, tools, methodologies, and techniques.

3.1 Challenges in the implementation of PMO:

Stanleigh conducted a survey of 750 companies and emphasized that more than 75% of organizations initiating PMO close within three years of its set-up because they do not add value to the organization (Stanleigh, 2006). Consequently, (Aubry et al., 2007) emphasized that almost half of the PMOs are expensive as compared to their project and program performance. Further Aubry and Hobbs emphasized that organizations need to remodel their PMOs after every few years as it's the most unstable structure in the firm (Aubry et al., 2008). These researches indicate that the implementation of PMO is a challenging task that needs cautious efforts. Clear mission, acceptance, culture, structure and scope of governance are a few parameters that need to be considered for the successful implementation of PMO (Santosus, 2003; Wren, 2005). Another major factor that leads to the failure of PMO is the culture without governance (Wren, 2005). (Leemann, 2002) also suggested that the involvement of project management as a part of company's culture is crucial to the success of PMO. Further, seven factors were highlighted leading to the failure of PMO (Kendall & Rollins, 2003). These include:

- (1) Lack of defining value proposition for PMO
- (2) Lack of perceived impact of PMO on project deliverable capabilities
- (3) Authoritative and policing of PMO instead of being facilitative
- (4) Lower position in the management hierarchy
- (5) Lack of buy-in from top management
- (6) PMO causing expensive overhead and
- (7) Micromanaging projects

Later in 2011, it was suggested that resource optimization, innovative technology and acquiring highly qualified staff that will be able to create benefits for the entire organization will affect PMO effectiveness and its incurring challenges (Balooshi & Hussain, 2011). In 2018, while discussing the analytical challenges of PMO, the researcher suggested levelling up maturity in the project management over time (Spalek, 2019). Moreover, in 2020 an in-depth study was conducted regarding the challenges in transforming a PMO model into an EPMO model (Metuge & Otegi Olaso, 2020). Recently, Mahabir emphasized that communication channels, pre-implementation planning, and project management training for PMO personnel is considered vital factors for the success of PMO (Mahabir & Mahabir, 2022).

Researchers suggest that research on the challenges of implementing a PMO is at the infant stage, and this area needs to be further explored. Moreover, there is no clear guideline or solution to overcome these challenges. Therefore, this paper aims to provide valuable insight to health care professionals regarding challenges while implementing PMO along with its solutions.

3.2 Related Theory of Research:

A lot of research work has been conducted on the implementation of PMO around the globe. Various critical factors of PMO implementation have been identified that have both positive and negative outcomes. Anthony Wood and Ma Tony of the University of South Australia have gathered data from various publications and arranged them in a tabular form. The publications considered for the data gathering were from numerous professional and industry journals printed in the present decade, and represent viewpoints from Australia, North America, Europe, and South-East Asia. The writers are various academics, consultants, interested observers, or real-world practitioners. Analysis has been done based on gathered data and presented in the form of percentages (Wood & Tony, 2008).

Sixteen critical factors were discussed with varying frequency by the respective authors which are summarized below. The Frequency (%age) of critical factors is calculated here as *Agreed*

Frequency = the Number of Appearances/Total Number of Authors(Wood & Tony, 2008).

Positive Factors (benefits of the PMO)

- ✓ Adds value to the organization (95%)
- ✓ Project support role (68%)
- ✓ Consulting/mentoring/training (64%)
- ✓ Common Standards and Methods (59%)
- ✓ Benchmarking and excellence (36%)
- ✓ Audit and review (27%)
- ✓ Economies of Scale (14%)

Influence Factors (determinant of the success of the PMO)

- ✓ Strategic Positioning (73%)
- ✓ Visibility and Accountability (9%)

Negative Factors (benefits of the PMO)

- ✓ Difficult to measure ROI (32%)
- ✓ Need for expert staffing (27%)
- ✓ Increased bureaucracy (32%)
- ✓ Impact on initiative and innovations (23%)
- ✓ Matrix/organizational difficulties (18%)
- ✓ Extra Expenses and Overheads (18%)
- ✓ Process focus outweighs project focus (9%)

The analysis shows a positive inclination towards the implementation of the PMO. However, certain factors must be considered during its implementation which can impede the performance of project management offices (PMOs).

4. Research Methodology

4.1 Data Collection Process

As discussed in the literature review section, existing research on the implementation challenges of PMO is scant and hence does not provide sufficient evidence to support the formulation of testable hypotheses. Consequently, there is a need to extend the current theory and further elaborate the phenomenon regarding the implementation challenges. Data was collected through semi-structured interviews with five project managers. These respondents were selected through nonprobability sampling due to the nature of this study with the focus on those PMO Managers who were part of the transition process and played an integral role in its implementation.

Each respondent interview lasted for approximately 1 hour which was recorded and transcribed by taking notes. They provided insight into PMO functionality and the challenges experienced during the transformation from external to internal PMO. After listening to the recorded interviews cautiously the notes were revised, and interviewees were asked to validate and add any point if necessary. However, only 1 of the interviewees made a few changes in the notes.

This use of data triangulation achieved by collecting information from multiple sources, to collaborate the same fact or phenomenon (Yin, 2009), ensured the validity of the results. Further, to conform the confidentiality of the participant and to meet the ethical standards, a consent form was filled and signed by the participant and the researchers.

4.2 Data Analysis

The data analysis was based on thematic analysis, a suitable technique for exploratory research (Easterby-Smith et al., 2008). This method identifies the themes emerging from the verbal data and uncovers the deeper meaning embedded in it. By using the codes aligned with current categories relationships are identified to existing themes. Thematic analysis measures the presence and frequency of themes or concepts. For example, interviewee 1 stated, "I believe few stakeholders have close ties and do not want the change from external to internal PMO because of their personal interests". This statement "do not want to change" was coded under the identified theme of "Resistance from key stakeholders". In another example, interviewee 2 stated, "I was

doubtful about my new role and responsibilities” whereas interviewee 4 replied “I was feeling insecure and not sure about my job security”. These statement with the words “doubtful” and “not sure” was coded as “Uncertainty” under the theme of “Non-Corporative Behavior”.

The coding process for all the five interviews’ data was performed by the same researcher. Although using a single researcher will facilitate the consistency of coding, but it will impact assessing the reliability and validity of the data(Gray, 2004). Therefore, to validate the coding two other researchers were requested to examine the audit trail of the key coding decisions made during the research process.

In lieu of the above process and the fact that all 5 interviewees were requested to approve the notes produced during the interview, the qualitative data results are considered to be validated and reliable.

5. DISCUSSION

i. Resistance in a transition from key stake holders:

Respondent-A: A personal interest of some key stakeholders in the external PMO firm as they were owners of the firm or have a close relationship with other key stakeholders.

Respondent-B: Some stakeholders were of the view that the organization will be de-tracked from its core functionality of providing health care services and will enter an area that is suited to a construction firm only.

Respondent-C: Some stakeholders resist the change because they feel that the change is a threat to their authority and decision-making power.

Respondent-D: Some stakeholders think that the work progress will be further slowed down and the project will be further delayed due to this change.

Respondent-E: Lack of understanding of how the transition will benefit the current state of the project.

Solution: For key stakeholders to have more faith in In-house PMO, it is important to involve them in the implementation process to obtain their buy buy-in.

ii. Non-cooperative behavior from the External PMO to the In-House PMO:

Respondent A: Stakeholders of the external PMO firm did not agree to share their resources and make them available to the In-house PMO.

Respondent B: Some of the employees working with External PMO were also not willing to join the In-house team because they were uncertain about their new roles & responsibilities, job security, increased workload, and a fair loss of familiarity with their peers.

Respondent C: Some key employees who had a good grip on the work are demanding substantial salary raises.

Respondent D: The external PMO was not sharing their work history with the internal PMO to identify project status.

Respondent E: The non-cooperative behavior is due to technical knowledge and repository gaps and they showed resistance.

Solution: Set up ways for people to talk to each other, ask for ideas, offer training, recognize and reward

iii. Building a Team of Experts:

Respondent A: The main challenge was the unavailability of experts with relevant health care construction experience who could lead and fulfill the technical and managerial deficiency due to the abrupt decision of transition.

Respondent B: The experts who have international experience were asking for high remuneration.

Respondent C: Delays in the hiring slowed down the transition process.

Respondent D: Hiring new employees creates insecurities and disappointment among existing employees.

Respondent E: Interdepartmental, technical and managerial conflicts among experts created the barrier.

Solution: Expedite the hiring process, conduct a meeting to ensure job security among existing employees, and conduct training to resolve communication barriers among departments.

iv. Lack of support from Top Executives:

Respondent A: Difficulties in obtaining a budget for the PMO activities.

Respondent B: Delayed decision-making due to extensive hierarchal organizational structure.

Respondent C: Not empowering the PM and PMO in decision-making and overriding the decision of the PMO.

Respondent D: Not understanding the true values of PMO.

Respondent E: Lack of trust in leadership and working style of PMO leaders and experts.

Solution: Get the trust and support of top executives by showing them how valuable the PMO is through regular updates, status reports, and presentations.

v. Challenges in overcoming previous PMO practices.

Respondent A: Correction of the technical as well as commercial documents.

Respondent B: Rework of the site work due to quality issues

Respondent C: Overcoming the schedule delays due to late or delayed decisions

Respondent D: Scope creep issues.

Respondent E: Technical and managerial training of the employees who were part of the previous PMO.

Solution: Standardization of processes, tools, and templates.

Optimization of the resources.

vi. Conflicting priorities and resource constraints:

Respondent A: Challenges in the allocation of funds for multiple projects.

Respondent B: Availability of limited resources for multiple projects/tasks leads to conflict in resource allocation.

Respondent C: Interdepartmental conflict during.

Respondent D: The same deadlines for the project lead to delivery conflict

Respondent E: Conflict of interest between managers.

Solution: Use Project Management tools and software to optimize resources and enhance the visibility of resources.

6. Data Results

This paper answers both the research question which includes challenges incurred during the transition from External PMO to Internal PMO in health care sector along with the solutions. The major challenge faced was resistance from stakeholders which can be resolved by providing employee empowerment through their participation in the decision making process. The non-corporative behavior needs open communication to resolve gaps and instill trust and security among employees. Another challenge, building a team of experts is suggested to overcome by training and hiring new staff. However, the support from top management can build trust among top hierarchy and lower staff which was one of the major causes of External PMO failure. Further, standardization of tools and practices, resource optimization, and innovative technology can enhance the effectiveness and efficiency of PMO.

7. Conclusion

The main purpose of the implementation of the Internal PMO was to ensure adequate project management practices, meet the triple constraint or iron triangle to enable the project to be delivered successfully, provide standardization in project management practices, mitigate project

risk, optimize project performance, provide detailed technical expertise that was lack by the external PMO firm.

The challenges discussed in this study are the real challenges encountered by the organization that require attention and improvement aiming to develop the PMO. These challenges, although significant, can be mitigated with careful planning, a clear vision and mission, stakeholder management, subject knowledge, team buy-in, and efficient team management.

In a nutshell, the primary reason for the devastating consequences was the improper planning of change management in a transition phase. The finding from this study is that the layoff of external PMOs shall not be sudden. If we translate this statement to project management, we can conclude that instead of applying a waterfall approach to lay off external PMO, a more appropriate approach i.e., agile methodology shall be used. The internal PMO with minimal staff shall first provide a supporting role to the external PMO then gradually to controlling PMO and finally extend its role to a more authoritative role when the things are fully in control. By adopting this technique, an organization can streamline the PMO implementation process and minimize the potential resistance from the stakeholders.

8. Limitations

Research studies are valuable things to learn more about a specific subject. However, there are always some limitations that one must face during research. Our limitation of this study involves a limited number of interviews which may impact the generalizability of our findings. We also acknowledge that some PMO implementation challenges are specific to the subject organization which may differ for different organizations. Further research on the subject could validate or challenge them to enhance the robustness of our findings.

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