

# Establishing and Fine-Tuning Effective PMO Metrics

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The quest for the perfect PMO dashboard is a challenge faced by many PMO leaders. Although there is no one-size-fits-all PMO scorecard or set of KPIs, PMO leaders can quickly establish an initial framework, which can then be fine-tuned, using the broad palette of PMO KPIs and metrics provided here.

## Key Challenges

- A lack of effective project management office (PMO) metrics undermines the PMO leadership's ability to communicate progress and success, and secure stakeholder buy-in.
- Failure to continually fine-tune and adjust the metrics used for PMO reporting risks reducing their usefulness and value as they cast a light on past, rather than current, PMO priorities.

## Recommendations

- Be proactive, and engage PMO stakeholders at the earliest opportunity to establish an initial framework of PMO metrics, which can then be trialed and fine-tuned to arrive at a PMO scorecard or dashboard satisfying their information needs.
- Keep dashboards and other reporting simple, and encourage quarterly reviews — changes as well as validations — to capture and reflect shifting priorities at the earliest opportunity.

## Introduction

Business leaders generally understand the value of IT and are willing to invest in it, but they need to be continually assured that they are getting maximum value for IT investment. This poses a challenge and a growing opportunity for leaders of PMOs.<sup>1</sup> Not only do PMO leaders need metrics and measures to report their organization's activities accurately, they also need to "sell" the PMO's usefulness and value to the enterprise.

Gartner surveys CEOs annually on a broad range of topics to track their evolving concerns and their shifting priorities. A key question each year is how they see their organization's investments changing in the next fiscal year. For the past two years — 2014 and 2015 — CEOs ranked IT as their top investment area,<sup>2</sup> edging out former perennial leaders such as sales, R&D and product enhancement, and accentuating the importance for the PMO leadership to be able to demonstrate the effectiveness and operational excellence provided through the PMO function.

While CEO support for IT investment is good news for PMO leaders, another Gartner survey of more than 200 business executives raised warning signs.<sup>3</sup> In this deeper-dive research, we asked PMO customers to share their perceptions of their respective PMOs.

Only one-third of the respondents were willing to give the PMO an unqualified endorsement as "an integral part of getting things done." The other two-thirds gave tepid endorsements at best, with some characterizing the PMO as simply a "useful administrative support function" and another third saying that, while PMOs have "some value," they describe them as "bureaucratic."

## Analysis

### Be Proactive

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It is not uncommon to encounter PMO leaders tempted to measure and report on everything, following the "more is better" doctrine. While appealing, more information frequently results in PMO dashboards that go on and on and on, or information that is too detailed or too technical for the audience. As PMOs are configured and staffed to serve the specific needs of the enterprise it is part of, there are scores of metrics and key performance indicators (KPIs) that could be meaningful.

However, metrics that resonate and are relevant and meaningful in one enterprise may not have the same appeal to another enterprise. PMO leaders need to engage with all stakeholders to understand and document the key categories and specific PMO activities or functions that are most important to measure and track, then identify the metrics or KPIs most meaningful to the audience.

Through our ongoing client interactions, we are regularly confronted with PMO leaders embarking on establishing a PMO metrics framework and inquiring what the perfect set of PMO metrics looks like. Sadly, there is no "silver bullet" or one-size-fits-all PMO dashboard. Recognizing that PMOs are configured and staffed to serve the specific needs of the enterprise they are part of, it could be directly detrimental for a PMO to adopt a dashboard or management report for a different PMO in a different enterprise.

That said, the sheer volume of client calls and conversations we have on the topic of PMO dashboards and metrics has enabled us to assist our clients in quickly getting an initial PMO metrics framework off the ground.

Looking across the many PMO dashboards that come to us for review, it is possible to map the KPIs and metrics we see into three broad categories: operational excellence, effectiveness, and people and skills.

**Operational excellence** — A great term to capture various KPI and metrics that illustrate that operational improvement is taking place, such as reducing the percentage of total effort spent on rework (see Table 1).

Table 1. Examples of KPI/Metrics Used to Highlight Operational Excellence Cited by Gartner Clients

	KPI/Metric
Highlight Operational Excellence	<ul style="list-style-type: none"> <li>■ Number of "red to green" status shifts in the preceding reporting period</li> <li>■ Percentage of projects fully resourced on commencement</li> <li>■ Percentage of projects with scope changes</li> <li>■ Average elapsed time for addressing scope changes</li> <li>■ Percentage of projects following agreed-on standards</li> <li>■ Percentage of ongoing projects containing the appropriate financial/business justification</li> <li>■ Percentage of projects on time</li> <li>■ Percentage of projects on budget</li> <li>■ Percentage of total effort spent on rework</li> </ul>

Source: Gartner (November 2015)

It is important to highlight that, while Table 1 shows examples of KPI/metrics used to highlight operational excellence cited by Gartner clients, this does not imply that the selected metrics have appeared in the same dashboard.

**PMO effectiveness** — The impetus for many a PMO initiative is to get the most from limited resources and, through more-effective behaviors, maximize the leverage of those resources (see Table 2).

Table 2. Examples of KPI/Metrics Used to Demonstrate PMO Effectiveness Cited by Gartner Clients

	KPI/Metric
PMO Effectiveness	<ul style="list-style-type: none"> <li>■ Average time lag between identification of deviations and corrective action</li> <li>■ Percentage of portfolio subject to health checks</li> <li>■ Average time lag between identification of deviations and corrective action</li> <li>■ Percentage of projects with complete documentation</li> <li>■ Percentage of project status reports older than 10 days</li> <li>■ Percentage of total effort to reach first gate</li> <li>■ Number of project starts without purchase order</li> <li>■ Average time to complete new hire onboarding</li> <li>■ Percentage of stakeholder/sponsor review ratings in the top quartile</li> </ul>

Source: Gartner (November 2015)

For example, the client who shared the "percentage of total effort to reach first gate" KPI with us had found that there were big differences between projects on this KPI. By putting a spotlight on this, the client was able to identify best practices and best performers, and by cascading the best practices to all improve overall effectiveness.

**People and skills** — PMO leaders have a natural interest in communicating the achievement or progress made around people and skills, thus lending assurance to leadership and stakeholders that the PMO is addressing issues identified with regard to training or staffing.

Table 3. Examples of KPIs and Metrics to Communicate Progress Around People and Skills by Gartner Clients

	KPI/Metric
People and Skills	<ul style="list-style-type: none"> <li>■ Percentage of projects with staffing/resource issues</li> <li>■ Percentage of project staff with multiple assignments</li> <li>■ Percentage of project staff externally supplied</li> <li>■ Percentage of project staff coming from business units</li> <li>■ Project staff churn ratio</li> <li>■ Percentage of project staff at planned competency level</li> <li>■ Percentage of project staff without professional development plan</li> <li>■ Rolling 12 months new hire/mentorship ratio</li> <li>■ Average cost per full-time equivalent (FTE) for training and education</li> </ul>

Source: Gartner (November 2015)

As previously mentioned, different metrics will strike a cord and be useful to different PMOs in different circumstance. Measures regarding the reliance of externally supplied project staff were shared with us by a company wanting to reduce its contractor dependency and using "percentage of project staff externally supplied" to monitor the progress made.

## Keep Dashboards and Other Reporting Simple

PMO dashboards, scorecards or other reports are effective only if they are read and understood. While a particular topic or situation may occupy the PMO leadership all hours of the day or night, the same intense interest and awareness is not likely to be present across the dashboard audience and stakeholder constituency.

Indeed, stakeholder and senior management's awareness and focused attention may well be confined to periodic updates. With only a few moments to hold a senior manager's attention, the report must provide a fast, easy-to-understand synopsis.

With dashboards, less is more, and consistency is essential. Establish unambiguous criteria or thresholds. For example, if using a green/amber/red "traffic light" format, keep the definitions consistent throughout.

A Central Europe manufacturing client found that, with review meetings only taking place quarterly, most had happily forgotten what the traffic lights meant. To ease the memory, a single set of thresholds for both cost and schedule were introduced and are illustrated below:

- **Green** if on or below/ahead plan

- **Amber** if overrun exists, but is less than 10% of plan
- **Red** if overrun is  $\geq 10\%$  of plan

To further ensure clarity, combine letters such as "G," "A" or "R" (for green, amber and red) with the traffic light colors to reinforce the status in case of printouts on black-and-white printers. And don't forget: 4% to 7% of men are colorblind, so will benefit from a symbol (such as a smiley face) along with the color coding.

Keep text comments to a minimum, and ensure any comments regarding upcoming decisions or actions include information on who, what and when.

While consistency in reporting on PMO success and progress is important, more important is ensuring your stakeholders are getting the information they want and need. Conducting quarterly reviews of PMO stakeholders' perception and views with regard to the dashboards or reports they receive or see is a potent tool to ensure that the reporting remains relevant.

Beyond soliciting views and opinion on the current PMO reporting, we have also found PMOs reporting that broadening the scope of their stakeholder reviews with topics such as those suggested below resulted in an improved relationship to its customers, because they felt that the PMO was much more in a "listening mode":

- The project management process
- The timeliness of reporting
- The usefulness of information provided
- The quality assurance process
- The handling of problem management and issue resolution
- The ability of the project manager to engage with and understand the stakeholder's situation

## Gartner Recommended Reading

*Some documents may not be available as part of your current Gartner subscription.*

"Toolkit: Making the Business Case for a Highly Focused and Effective PMO"

"PMOs: One Size Does Not Fit All"

"PMO/Business Disconnect Presents Risks and Opportunities for PMO Managers and Senior PPM Leaders"

"ITScore for Program and Portfolio Management"

## Evidence

<sup>1</sup> The PPM research team experienced a 30% increase in client interactions involving PMO metrics in the first three quarters of 2015 compared with the same period in 2014.

<sup>2</sup> "2015 CEO Survey: Committing to Digital"

<sup>3</sup> 2014 Business View of the PMO Survey: Web-based panel survey of 217 executives who had to be in either a business-focused role or a blended business focus/IT role and directly interact with the PMO. Forty-six percent of the respondents were from North America, with the remainder split across Germany, France and the U.K.

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