

The Perceived Value of Project Management Office Practices from Various Industries in Indonesia

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Abstract: *Project Management Office practices tend to be increasing in Indonesia. A previous study that is limited in Indonesian commercial banks showed that majority of the banks applied PMO practices, however there is a lack of study how it looks like in the other industry sectors. This study has a purpose not only to see how PMO practices in the other sectors, but also to know how valuable the PMO practices is perceived by the organization. A survey using structured questionnaires has been performed using convenient sampling through electronic questionnaire. The data from 125 respondents have been collected. Descriptive analysis has been performed using SPSS to see the distribution of the data. The result shows that apart of majority of respondents values of PMO, the alignment of its function and organizations purpose are still to be enhanced and furthermore the development of PMO competence is a major concern of the organizations.*

Keywords: project management office, project management, PMO practices

1. Introduction

Project Management Office (PMO) is becoming more popular in the over more than 10 years and they are established with a purpose to manage projects more efficient and effective through several functions such as supporting, coordinating and controlling [1],[2],[3],[4]. The PMO practices in Indonesia has been reported to be applied for the first time around year 1990 [5], however there is lack of empirical studies of development of PMO in Indonesia. Ichsan and Hamsal [6] has performed a study of PMO practices in Indonesian commercial bank. It resulted that 44 or around 60% of the 74 commercial banks have a formal PMO entity, meanwhile 18 banks responded that even though they do not have formal PMO entity, some people in the company run PMO function or service. The PMO practices seems to be applied predominantly in Indonesian commercial banks, but it does not really reflect whether they have been perceived to be valuable to the banks. The study concluded that PMO of the commercial banks with higher asset categories supported the project portfolio management capabilities that positively and significantly affected the organization's performance that was measured in Return on Asset (ROA), but there was no evidence in commercial banks with smaller asset category. Nevertheless, there is very small visibility of development and application of PMO practices from industry sectors in Indonesia. other than commercial banks as there is no empirical data yet available, hence it is relatively difficult to understand how is PMO practices in the other industries, even for its perceived value by the organization. This study has a purpose to know how was the PMO practices in the other industry as well as its perceived value to the organization.

2. Literature review

PMO is defined as a structured layer between senior management and project management that supporting project related governance, shared project resources, project method, project related tools and techniques [7],[8],[9].

Furthermore, Project Management Institute [9] defined type of PMO based on the degree of control and influence of projects in the organization into 3 (three) categories. Firstly, PMOs that have consultative role (Supportive PMOs), secondly PMOs that provide support and compliance (Controlling PMO) and lastly, PMOs which directly manage the projects (Directive PMOs). Regardless the growth of needs to have PMO to support the organization, there are some challenges and questions of value of having them. Three out of four PMOs were shut down in the first three years of its establishment, as they fail to provide evidence of impact to business value [8], performance [10],[11], costly and minor contribution to project and program management [12] and legitimacy within their organization [13]. As most of the studies were done outside of Indonesia, it is important to know how is PMOs in Indonesia are perceived to be valuable and it leads to the research question 1 (RQ-1)

RQ-1: How is PMO practices perceived to be valuable in Indonesia?

Assessment of successes or failures of PMOs have to be linked towards a certain Key Performance Indicators that are predefined prior to application of PMO practices in the organization [14] [15],[16]. It is important that the organizations are aware with PMOs KPI prior to measuring the result or impact of PMOs to the organization and it leads to the research question 2 (RQ-2)

RQ-2: How is the organization awareness of PMOs KPI and its measurement

The one of major failure of PMO are resources competencies [8], which lead to inability to deliver the expected organization's business benefits of having PMO, apart of lack of commitment of senior management [17]. Respectively of competencies [13] and [12] have specifically put it as PMO framework and it is for both purposes namely to run the PMO effectively as well as knowledge transfer and learning [18], [19]. Furthermore, PMO as a knowledge broker [20], [21], [22]. PMO resources must have a certain level of knowledge and skills to be able to support the

organization in managing the projects. This argument leads to establishment of research question 3 (RQ-3)

RQ-3: How is the needs of PMO competencies development in the organization

Depending on the category degree of control and its influence, the level of PMO authority may vary from no decision power to significant authority to allocate resources, initiate and change or cancel the in-flight projects [23],[24],[12]. Apart of the wide ranging of authority, the PMOs are set up depending on the organizations need and hence there is no such good and bad PMO type based on its authority [25]. Furthermore, there is no empirical evidence yet about the tendency of degree of PMOs failure based on level of the authority. Nevertheless, it is important to know how the organization in Indonesia set the level of authority in their PMOs and hence it leads to the research question 4 (RQ-4)

RQ-4: How is the authority of PMOs practiced in the organization

The answer to the above research questions will provide some aspects of how the situation of PMO practices in Indonesia.

3. Research Method

As the purpose is to know how is the PMO practices and its perceived value other than commercial banks, this study is so structured to be empirical and descriptive. The targeted respondents are professionals who are currently or have worked for the past 2 years in project management office of various companies (industries) in Indonesia. Their job title could be Head of Project Management Office or PMO Manager or PMO Specialist or similar. The population of the data is unknown, therefore the author proposed to use non-probability sampling method namely convenient sampling. The potential respondents are searched using LinkedIn Network and Project Management Institute

Indonesia Chapter Mailing List. The structured questionnaires have been established using 6 rating (e.g. 1=strongly disagree, 2=disagree, 3=tends to disagree, 4=tends to agree, 5=agree and 6=strongly agree) Likert scales as it is intended to force the respondent to commit to a certain position, as there is no mid-point in the scale [26]. The expected data are ordinal. The data is collected using electronic structured questionnaires Google Form. The

access link to the questionnaire has been sent through-out professional social media such as LinkedIn Descriptive analysis is performed to explore the distribution of the data using SPSS 25 and Microsoft Excel 2016.

4. Data analysis and discussion

The structured questionnaires have been sent through-out emails, LinkedIn mails and in one of Indonesian PMO community knowledge sharing session from period of April to October 2019. The survey was closed at the end of October 2019 and total of 125 responses have been received in the system. The demography of the data is shown in Table 1.

Table 1: Demography of respondents

Demography (n=125)		Sum	Percent
Designated Job Title	PMO Head	20	16%
	PMO	37	30%
	Manager/ Lead/ Specialist		
	Senior Project Manager	29	23%
	Various other titles	30	24%
	PMO officers	5	4%
Educational Background	Senior Program Manager	4	3%
	Diploma	1	1%
	Bachelor's degree	84	67%
	Master's degree	37	30%
	PhD	2	1%
Project Management Professional Certification	Other	1	1%
	No Professional certification	77	62%
	PMP	39	31%
	IAMP1	4	3%
	Prince 2	2	2%
Industrial Domain	Others	3	2%
	Information Technology	36	29%
	Telecommunication	35	28%
	Financial Services	15	12%
	Construction	9	7%
	Consulting	6	5%
	Others	24	19%

Prior to performing descriptive analysis, it is important to conduct statistical tests such as validity and reliability test. These tests have purpose to ensure that the data are valid and reliable. As the data where PMO existence that are going to be analyzed, therefore only 114 data are tested. The validity test was performed using SPSS 25 and Table 2 shows that all items are valid as they are significant at $p < 0.01$.

Table 2: Validity Test result of respondents with PMO practices (n=114)

Correlations					
**.Correlation is significant at the 0.01 level (2 tailed)		SM_Expectation	PMO_KPI	PM_Competencies	PMO_Authority
SM_Expectation	Pearson Correlation	1	.767**	.533**	.575**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000
	N	114	114	114	114
PMO_KPI	Pearson Correlation	.767**	1	.634**	.597**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000
	N	114	114	114	114
PM_Competencies	Pearson Correlation	.533**	.634**	1	.575**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000

	N	114	114	114	114
PMO_Authority	Pearson Correlation	.575**	..597**	.575**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000
	N	114	114	114	114

The next statistical test to be performed is reliability test. Using feature of reliability test feature in SPSS 25 as shown in Table 3, it can be found that the Cronbach Alpha score is 0.864. According to [27], the Cronbach's Alpha score shall be between 0.600 – 0.900 to be considered as reliable because the score lies in the acceptable range.

Table 3: Validity Test of respondents with PMO practices (n=114)

Reliability Statistics	
Cronbach's Alpha	N of Items
0.864	114

After conducting both statistical tests, then the descriptive analysis is performed to find out how is the PMO existence in the organizations where the respondents are working. The result of the analysis is shown in Figure 1. It shows the distribution of PMO practices in the respondent organizations.

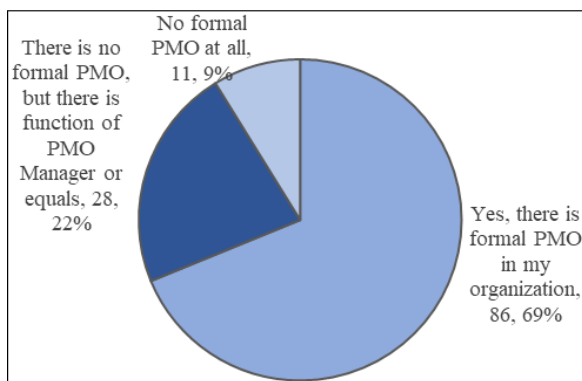


Figure 1: Existence of formal PMO in the organization (n=125)

From the result, it can be seen from 125 respondents that around 87% of the respondents have provided feedback that formal PMOs exist in their organization and around 22% of the respondents claimed that they do not have formal PMOs, however there is role of PMO Manager or equals who runs the PMO function the organization, while 9% of respondents do not have neither formal PMO. It shows that majority of respondents apply PMO in their organization, whether it is formal or informal and it seems at least a PMO function is perceived to be useful to the organization across multiple industries in Indonesia.

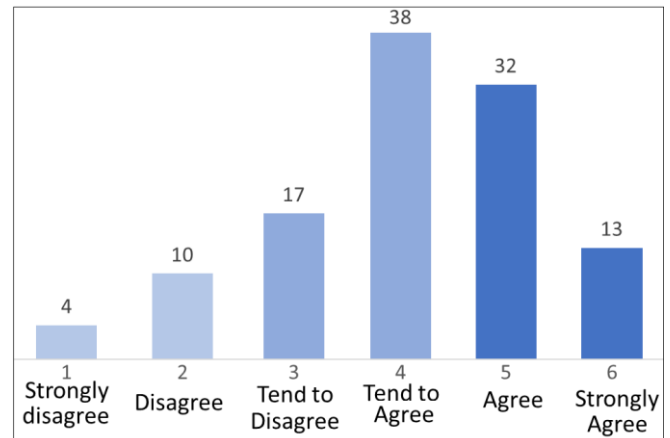


Figure 2: Perception of PMO's fulfillment to the senior management expectation (n=114)

Apart of the major responses of PMO's formal existence in the organization, it is interesting to see how the respondent perceive whether their PMO has fulfill their senior management's expectation. 45 respondents (39,5%) provided feedbacks that they are confident that their senior management sees that PMO practices have fulfilled their expectations, meanwhile 55 respondents (48,2%) shows their doubts in how their senior management sees that PMO runs as per their expectation. The rest 14 respondents (12,3%) do not sees that their senior management buy the argument that PMO fulfills their expectation. It can be seen that, relatively same portion of respondents that are sure and doubtful the way senior management how the PMO runs. Knowing that most respondents apply PMOs regardless its formality of existence, the value of PMO practices can be perceived much more objectives if they can be measured. Therefore, the next analysis is to find out how is the awareness of PMO KPIs in the organization as shown in Figure 3.

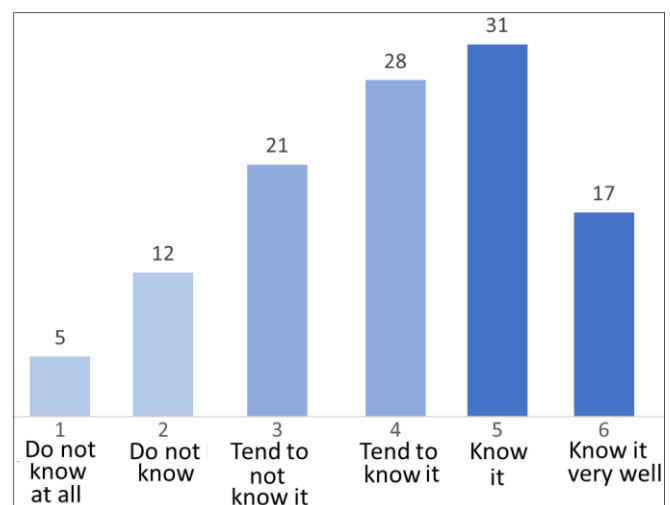


Figure 3: Awareness of PMO KPIs and its measurement in the organization (n=114)

The result shows that 48 respondents (42.1%) know the PMO KPIs and how those KPIs are measured, meanwhile 49 respondents (44.1%) are not sure whether they know the KPIs. The remaining 17 respondents (12.9%) do not know about PMO KPIs. It leads to conclusion that the value of PMOs may be perceived subjectively as the performances of PMOs are not measured as they are not known in the first place. This will increase the risk of perceiving failure of PMOs subjectively, due to lack of success criteria and performance indicators of PMOs.

In order to ensure that PMO practices are applied effectively, PMO resources needs to be equipped with skills sets that enable them to run it and perform as have been established as KPI in the organization. The result of the descriptive analysis is shown in Figure 4 below.

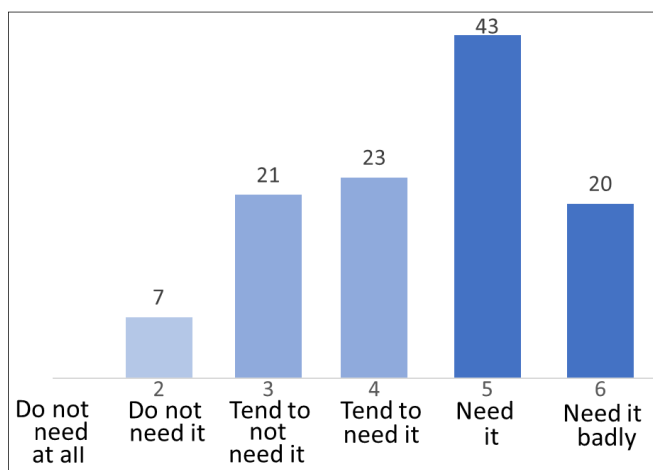


Figure 4: The needs of PM Competencies development in the organization (n=114)

The result shows that 63 respondents (55.3%) have perceptions that their project management competencies of the resources in the PMO needs to be developed. Meanwhile 44 respondents (38.6%) are unsure about competencies development needs and the rest 7 respondents (6.1%) have the perception that the resources do not need project management competence development. It seems that the respondents know that their PMOs are up to the sufficient level to be knowledge brokers as well as to run PMOs effectively. This shall also influence PMO capabilities to run the its function effectively. It seems also to be in line with the doubt and negative responses of participants in responding the item of senior management expectations to PMO and awareness of PMO KPIs. The lack of competencies leads to capability of fulfilling the expectation and setting up as well as measuring the PMO KPI.

The last part of the analysis is the PMO level of authority. It shall provide the PMO to fulfill their role in supporting multiple project in the organization especially to the senior management to enable them to make strategic decisions. The responses of the survey participant's perception are shown in Figure 5 below.

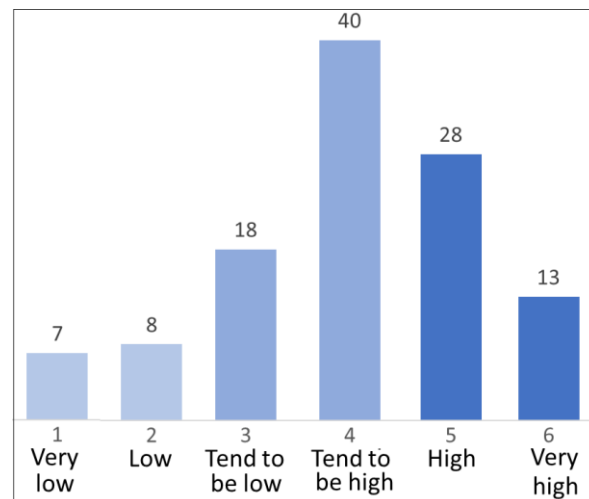


Figure 5: PMO level of authority in the organization (n=114)

Out of 114 respondents, there are 44 responses (38.6%) where the respondents have the perception that their PMO level of authority high to very high and 58 respondents (50.9%) are not so sure whether the authority is high or low. The remaining 15 respondents have the perception that their PMO authority is relatively low.

In summary, the 4 (four) items provides the phenomenon that having PMO in majority of organizations in Indonesia from different industrial background does not necessarily support that the PMO runs their job effectively hence provides the positive value to the

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