

# The project management office as an organisational innovation

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## Abstract

The paper presents an investigation of the creation and the reconfiguration of project management offices (PMOs) as an organisational innovation. The analysis of 11 organisational transformations centred on the implementation or reconfiguration of PMOs is presented. The objective of the paper is to contribute to a better understanding of PMOs and of the dynamic relationship between project management and the organisational context. The aim is also to integrate the examination of PMOs as an organisational innovation into the mainstream of research on the place of project management in organisations and more widely to the “rethinking of project management.”

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## 1. Introduction

Quite often over the last decade, the observation has been made that organisations are facing a new context characterized by increased competition, increased rates of product, service and process innovation and an increasing emphasis on time to market. Organisations have responded to these challenges by developing new, more flexible organisational forms [1] in which projects are both more numerous and more strategically important [2]. As part of the response to these new challenges and as part of the movement to increase both the number and the strategic importance of projects many organisations have implemented a new organisational entity the most common name for which is the project management office or PMO. The PMO has been addressed extensively in the professional literature [3–5]. However, there has been very little theoretical or empirical research on the topic. In addition, this organisational innovation has not been examined extensively within the literature stream described above.

## 2. Recent survey-based research on PMOs

A recent survey-based on the synchronic description of a large number of PMOs and their organisational contexts has shown extreme variety in both the form and function of PMOs [6]. Attempts to date to reduce this variety to a limited number of models have failed. In addition, the research showed that in the majority of cases PMOs are unstable structures, organisations often reconfigure their PMOs every few years. This instability can be interpreted as both an illustration of structuring as an ongoing organisational process [1] and as an illustration of organisational experimentation as organisations search for an adequate structural arrangement [7]. Half of the respondents to the survey report that the legitimacy of their PMO in its present form is being questioned. This is consistent with both the interpretation in terms of experimentation and a search for best practices and with the interpretation as an instance of the inherent instability of an ongoing process of structuring.

In the survey-based research cited above, correlation analysis found no systematic relationships between the external context in terms of economic sector or geographic region or internal organisational context, on the one hand,

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and the structural characteristics of PMOs on the other. None of the classic contingency factors from organisational theory correlated strongly with the form or function of the PMOs. A positivist, synchronic approach has provided a rich description of the great variety found in the population but has failed, so far, to provide an adequate understanding of PMOs. The present paper reports the result of an effort to come to a better understanding of PMOs as an organisational innovation based on the in-depth investigation of eleven cases.

### 3. The literature on organisational innovation

Four subsets of the literature on innovation are examined to identify alternative approaches relevant to the examination of PMOs as organisational innovations. First, the general literature on innovation is examined. This is followed by an examination of the literature based on evolutionary, co-evolutionary and institutional isomorphism approaches. All are sensitive to evolution over time.

#### 3.1. The general literature on innovation

Early research on innovation had operated mostly from an economic perspective and a general assumption of growth [8]. The interdisciplinary curriculum has developed over time with the contribution of new knowledge stemming from a variety of sources: economics [9–11], organisational management [12], sociology [13] and social ecology [14]. Others provide a categorization of innovation based on product, process or architecture [15,16]. In this perspective, organisations are considered to be very similar, responding to the same incentives. The objectives of research are often to provide organisations with practical solutions determining factors to innovative success.

Innovation theory is now shifting to a social innovation approach, broadening the concept of technological innovation to a social system. “[...] the sociological crucial point is that organisations have not only become prominent actors in society, they may have become the only kind of actor with significant cultural and political influence. Yet, recent organisation theory has surprisingly little to say about how organisations affect the society.” [13, p. 148] New questions have emerged which lead to motivation theory and to the context of innovation that rehabilitates history along with innovation, thus introducing the temporal element to the social innovation system [17,18]. This historical perspective was a natural step after the ecological model which demonstrated the usefulness of the biological metaphor with the concepts of evolution and co-evolution [19]. This social approach paved the way for looking at organisations as part of the social innovation system and new forms of structure as innovations. Along this line of thought, innovation is viewed as an *art* or, more exactly, as a *craft* [18]. Innovation then becomes a creative act,

the dynamic construction of something new in which it can be difficult to discern any regular pattern<sup>1</sup> [20].

#### 3.2. From evolutionary theory to co-evolution

The evolutionary theory was developed in the theory of organisations based on a biological metaphor. A basic evolutionary model of an organisation envisions it as a collection of routines or stable bundles of activities. With time, variation occurs within these routines with the result that any given set of routines evolves, whether intentionally or not. A certain number of new routines are then adopted as temporarily permanent practices. This simple variation–selection–retention repeats continuously [21, p. 76].

Evolutionary theories are made up of two major groups: contingency theories and social theories. Contingency theories consider technological change as an exogenous phenomenon which triggers organisational evolution [8,22]. This deterministic approach makes structural arrangements predictable from variables such as complexity, uncertainty and interdependency, which can be integrated into a single dimension – the ability to treat information [23].

Social theories view organisations as technological social constructions in which the community of organisations determines the nature of technological evolution [22]. In this approach, organisational structures are seen as processes in action which are continuously built and rebuilt [23]. Scott argues that these approaches are two sides of the same coin [23]. On the one hand, technology can be considered the causal agent which shapes the structure of organisations; while on the other hand, to reverse this causal effect, organisations influence the innovation process with either the creation of a new technology or its early adoption [23].

This complementarity is recognized in the co-evolution theory in which technological innovations are believed to give the impetus that initiates new cycles of variation–selection–retention and in which a dynamic process of evolution with innovation constantly feeds organisation [22,24].

Massini et al. [19] confirm that evolutionary theory is capable of explaining changes in organisational structures and routines. They conclude that organisational adaptation is a consequence of changes related to the adoption of technological innovations. Looking at large Western and Japanese firms at two different periods in time (1992, 1996), their research confirms both the progressive adaptation over time and the tendency to adopt organisational routines associated with a higher capacity for flexibility. This also confirms the selection and emergence of dominant routines suggested by the evolutionary theory. They

<sup>1</sup> Dooley and Van de Ven have been working on what is called complexity theory. This theory says that we need more complex tools to understand the complex reality of today’s organisation. Changes in organisation could follow three different dynamic types (from less to more complex): periodic, chaotic or random time series (colored noise: white, pink or brown) [20].

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