

PMI Breakfast Meeting 30 April 2008

Boosting Project Success through Project Management Maturity!



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Agenda

- Introduction
- Objectives of the surveys
- Who was surveyed?
- Definitions:
 - PM Maturity
 - Organisational project structures
- Findings
- Conclusions
- Questions

Introduction

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Qualifications

- Master of Engineering Science in Project Management, University of Sydney
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Objectives

2004 Hypothesis: *Projects undertaken within organisations with a higher level of project management maturity, consistently perform better than those with a lower level of maturity*

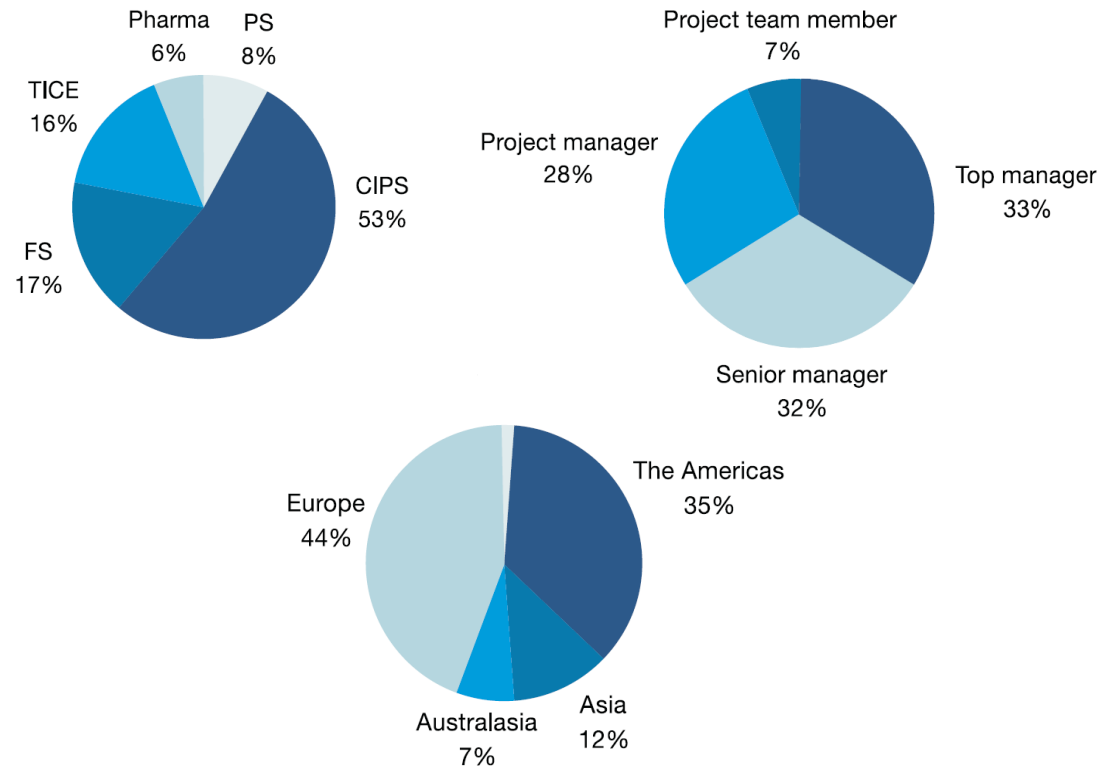
The 2007 survey's main objective was to identify current trends in project management and pinpoint the characteristics of project management that are applied on higher-performing projects, as well as to determine the reasons why projects fail.

How would you generally assess project performance?

What is the balance of internal vs external causes of project failure?

Who was surveyed 2004 - 2007?

- 200 - 213 participating organisations in 30 – 26 countries
- From 42% - 63% of organisations run 50+ projects a year
- From 26% - 44% of organisations run 100+ projects a year
- From 7% - 26% of responses from Australian Organisations



Fact in 2004

Only 2.5% of the companies had 100% of their projects on time, within budget, to scope and delivering the right benefits

PS = Public Sector
 CIPS = Consumer and Industrial Products and Services
 FS = Financial Services
 TICE = Technology, Information, Communication and Entertainment
 Pharma = Healthcare and Pharma

Project Management Maturity

- An organisation's level of project management maturity is made up of 4 core elements:
 - **Processes** (project life cycle processes, portfolio, continuous improvement)
 - **Organisational structure** (PMO, support, sponsors, ownership, roles and responsibilities)
 - **People** (technical training, leadership, career paths)
 - **Systems and tools** (time & cost tracking, benefits realisation, system availability, acceptance enterprise wide)

The maturity level of an organisation is established by the lowest level of any of the four elements

Process Maturity Scales

Maturity Levels (PMI based) and their brief description

- 1. Unreliable Processes** Sporadic, ad hoc use of project management. Formal documentation and the knowledge of the standards of project management are lacking
- 2. Informal Processes** A formally approved project management methodology is lacking
- 3. Standardised Processes** A project management methodology is developed, approved and used.
- 4. Monitored Processes** An integrated project lifecycle methodology is used. Application of the standard set is defined, monitored and fixed for all projects. Projects support the strategic plan. Project benefits are tracked
- 5. Optimised Processes** A regular analysis and renewal of the existing project management methodology is conducted. Lessons-learned files are created. Knowledge is transferred

What do you think is your Org Maturity Rating?

Do you think your maturity rating drives your project performance?

Organisation Project Structures

1. Functional Matrix

Authority to allocate resources and \$'s reside with functional managers not project managers

2. Weak Matrix

PM and team are part timers

3. Balanced Matrix

4. Strong Matrix

Authority to allocate resources and \$'s reside with project managers not functional managers

5. Projectised

PM and team are full timers

What do you think is your most common Org. Project Structure?

Finding No. 1 (2004)

Strong positive correlation between maturity level and project performance

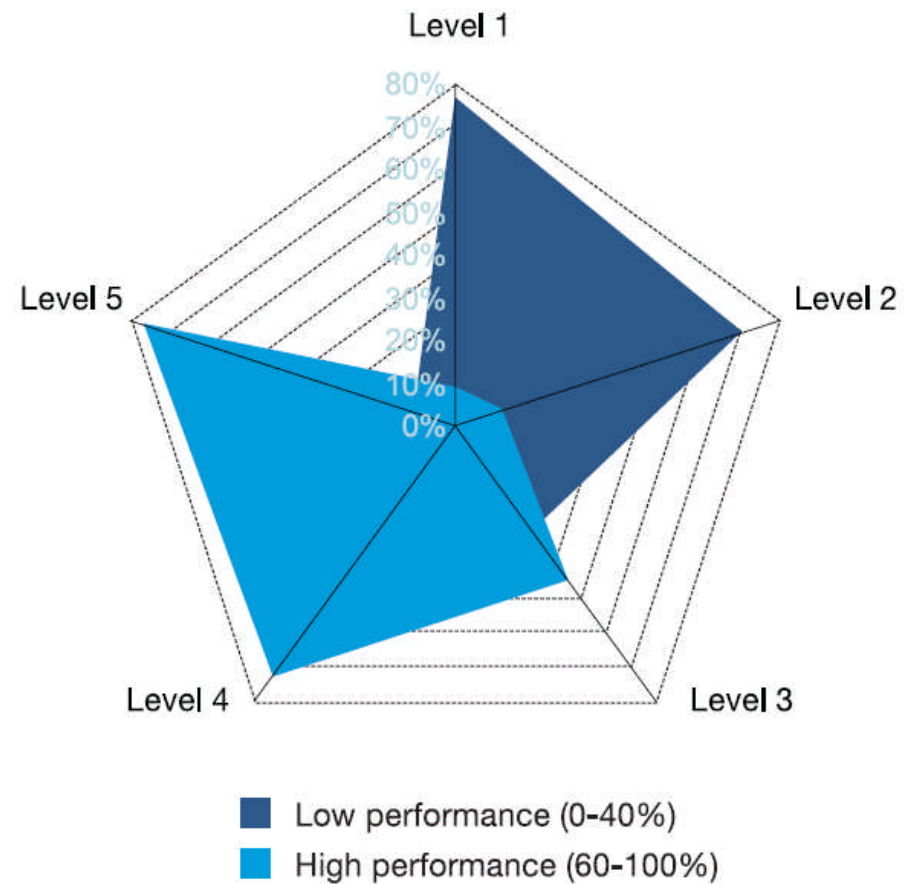
A higher maturity level will in most cases deliver superior performance in terms of

- project delivery and realisation of business benefits
- overall portfolio of projects and not just one project

Superior project performance in 2007 was seen as follows:

- 26% Benefits & Returns
- 20% Stakeholder satisfaction
- 19% On time delivery
- 18% On budget Delivery
- 15% to quality specifications

Maturity versus performance

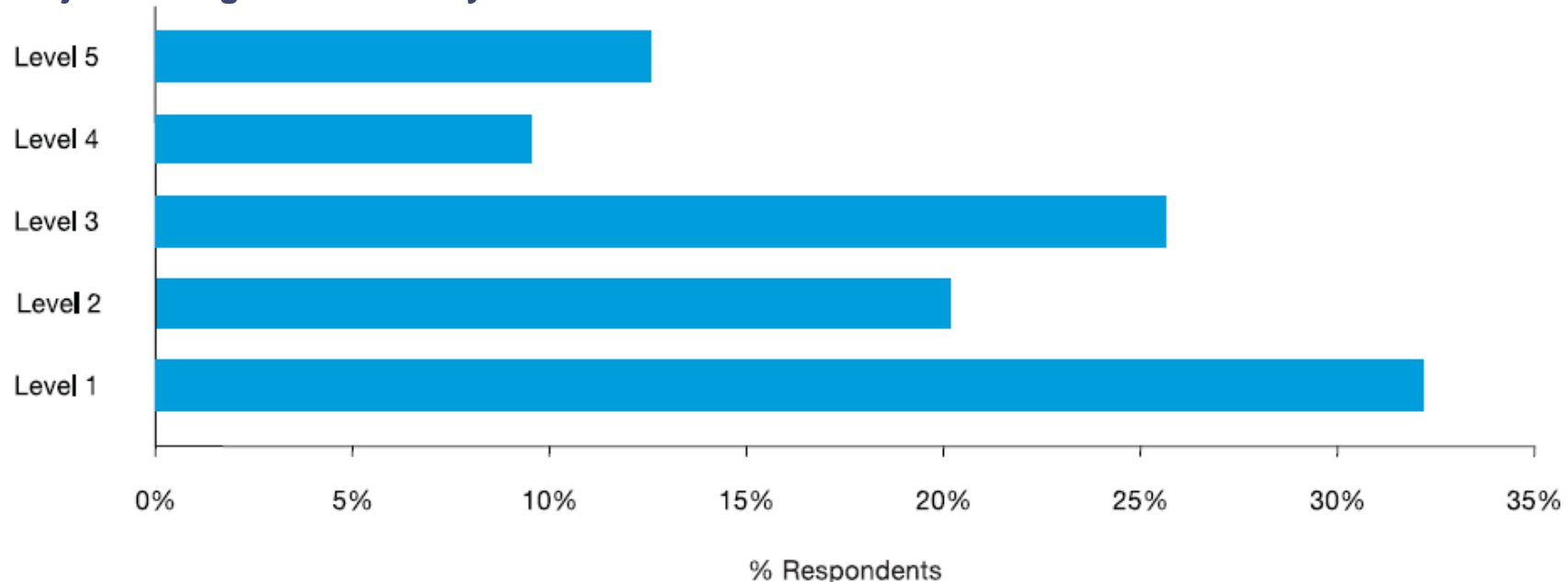


Finding No. 2 (2004 – 2007)

Current overall maturity level is 2.5 – 2.6 (informal processes)

The total average maturity level of 2.5 – 2.6 denotes that the current state of project management in organisations is at the level of informal processes and is not yet institutionalised. This explains the high percentage of unsuccessful projects.

Project management maturity levels

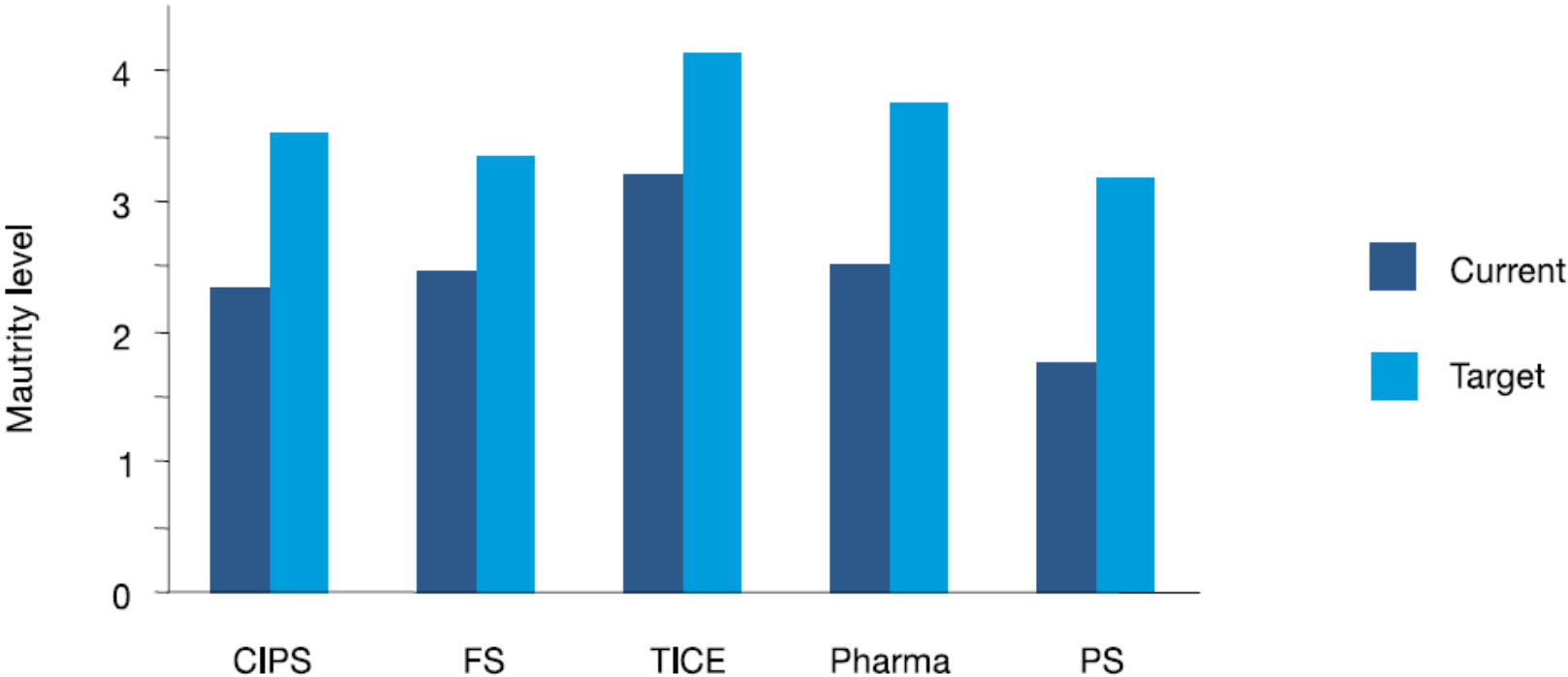


Finding No. 3 (2004)

Most organisations want to reach a higher maturity level

More than half of the companies (60%) are not satisfied with their current maturity level and wish to achieve a higher maturity level.

Industry maturity gap

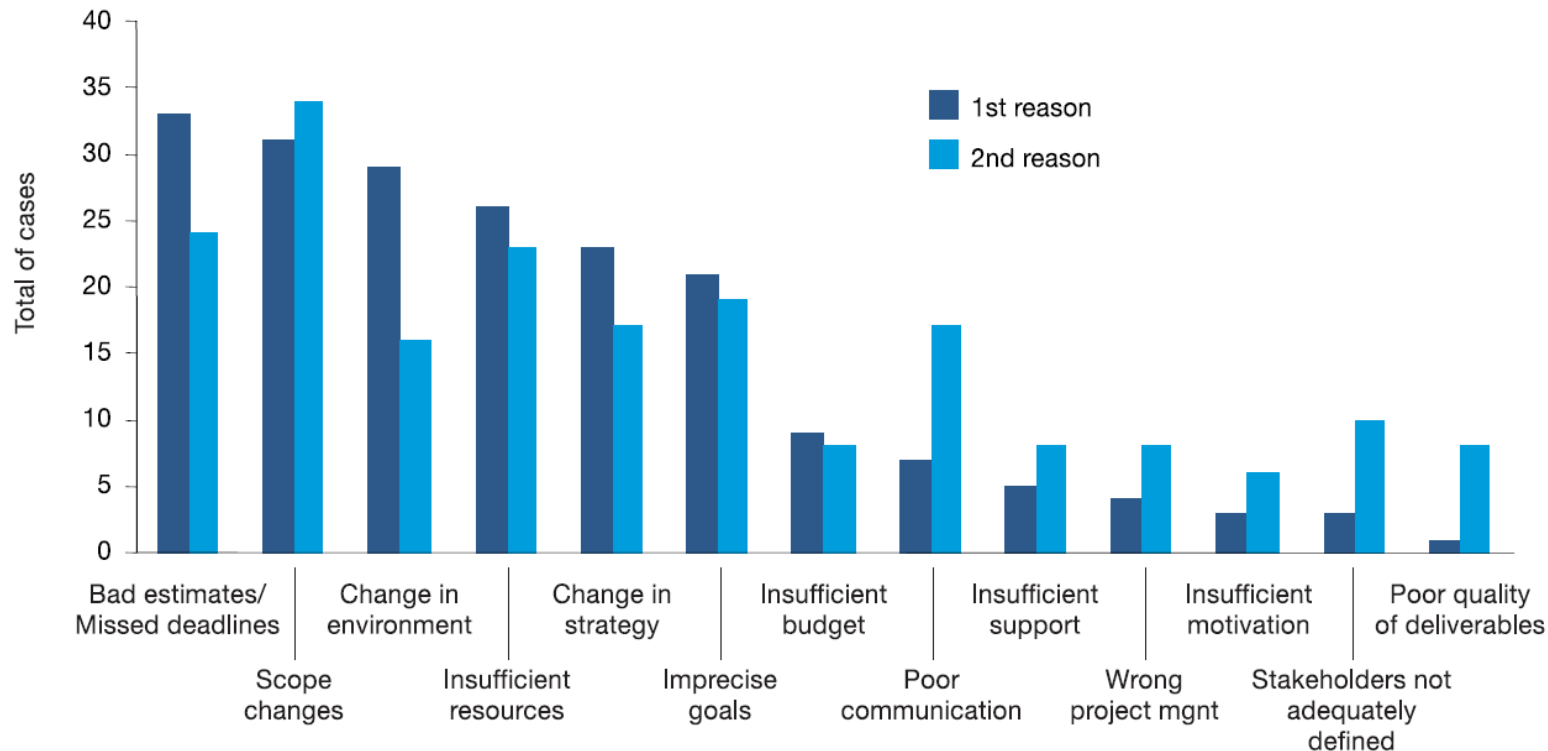


Finding No. 4 (2004 – 2007)

Many of the project failures are due to lack of planning and imbalanced organisation

Many of the reasons for project failure are either planning or organisationally related, thus both within and outside the direct range of influence of project managers (Organisational aspects represent 59% - 40% of project failures).

Reasons for project failure



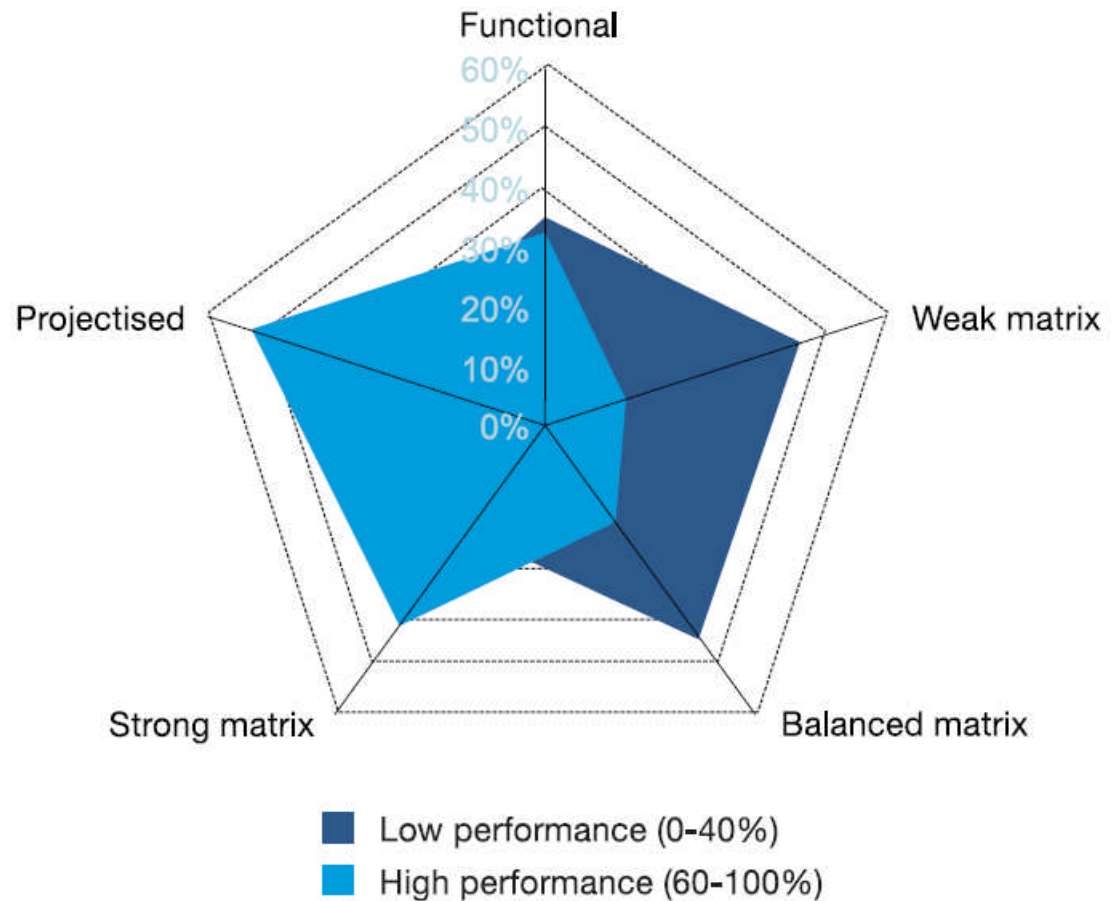
Finding No. 5 (2004)

Organisational structure has a big influence in overall project performance

The higher the alignment **between organisational structure and business needs**, the higher the overall project performance of the organisation.

Finding the right balance is not a simple task, especially for those companies operating in highly competitive and dynamic sectors.

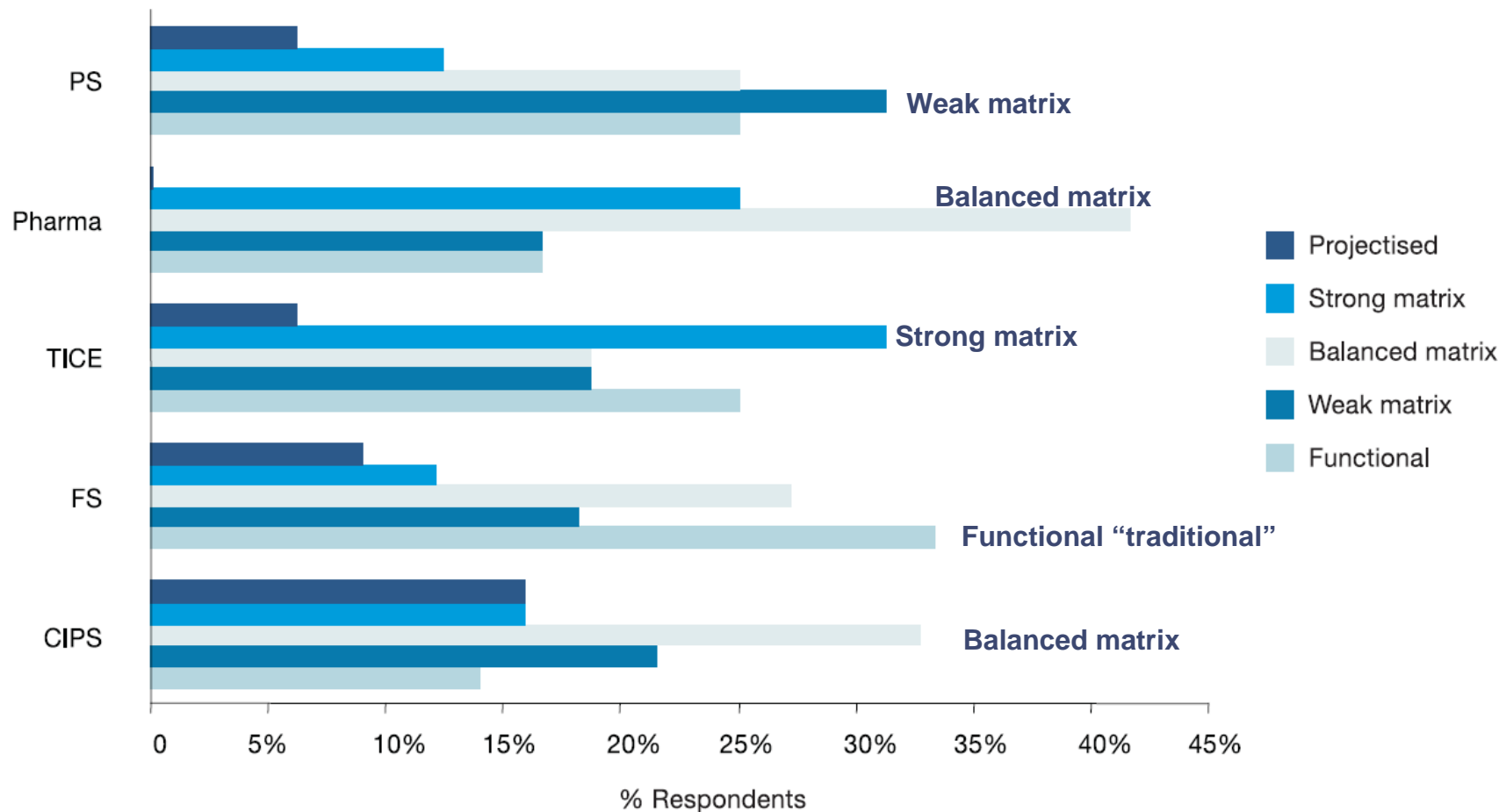
Organisational structure versus project management performance



Finding No. 6 (2004 – 2007)

Industry, location and business objectives are key to determining the optimal organisational structure

Organisational structures per sector

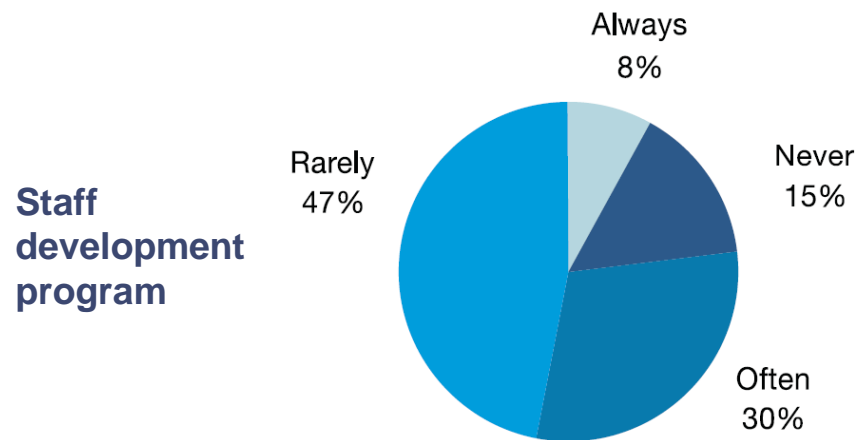


Finding No. 7 (2004 – 2007)

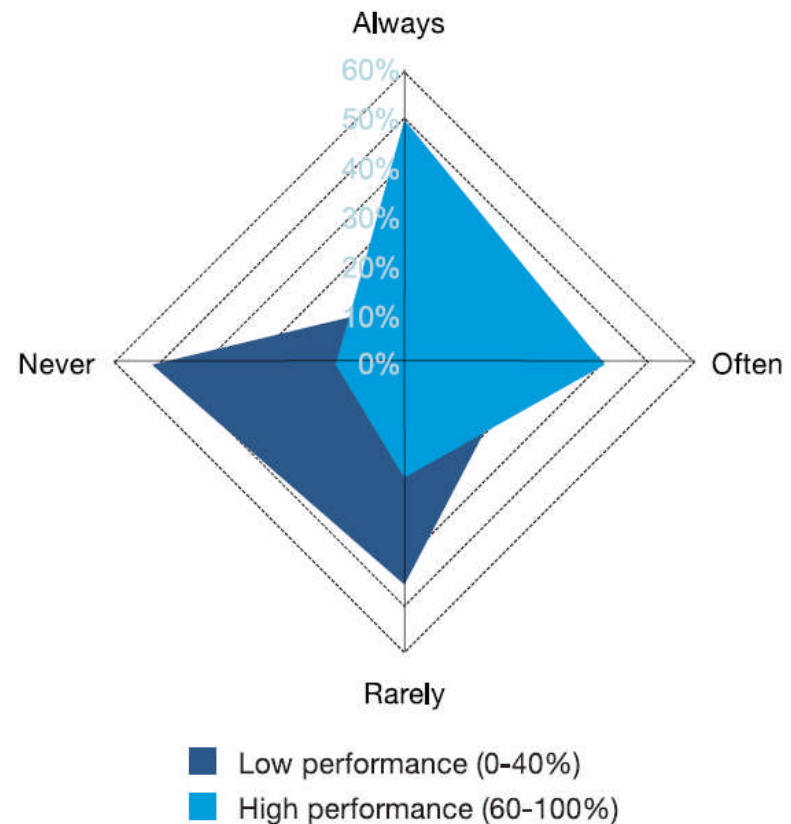
Investing in staff development increases project performance

Developing staff capability through development programs is correlated to project performance.

More than 60% of companies do not regularly offer a development program for staff and only 8% always utilise such development programs



Development program versus performance



Finding No. 8 (2004 – 2007)

Project management certification of staff pays off

Our view is that organisations should not be afraid of investing in their people via certification.

The benefits organisations can receive from this are significantly higher than the risks run.

Certification can add value to the organisation in 3 ways:

- 1. Gives additional incentive and motivation*
- 2. Organisation benefits from the additional capability*
- 3. Creates a culture of continuous learning and improving the status quo*

% of staff certified per org maturity level

- 95% of staff in ML 5 org's**
- 85% of staff in ML 4 org's**
- 80% of staff in ML 3 org's**
- 70% of staff in ML 2 org's**
- 60% of staff in ML 1 org's**

Project management certification types in 2007 (04)

- 36% PMI (22%)**
- 23% none (27%)**
- 10% Prince2 (2%)**
- 10% Internal (22%)**
- 10% University (16%)**

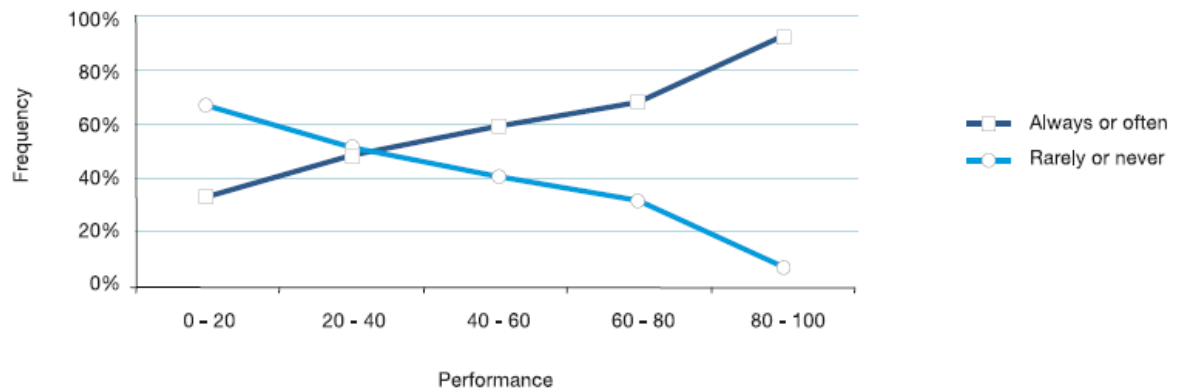
Finding No. 9 (2004)

Organisations that apply change management outperform the rest

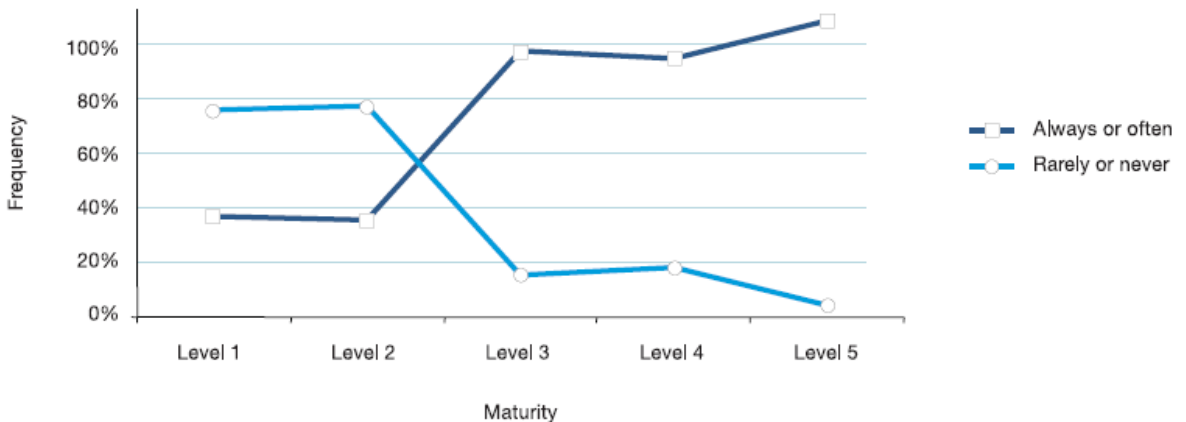
The majority of the best performing and most mature organisations always or often apply change management to their projects.

The survey reveals an undeniable correlation between project performance, maturity level and change management.

Change management versus project performance



Change management versus maturity level



Finding No. 10 (2004)

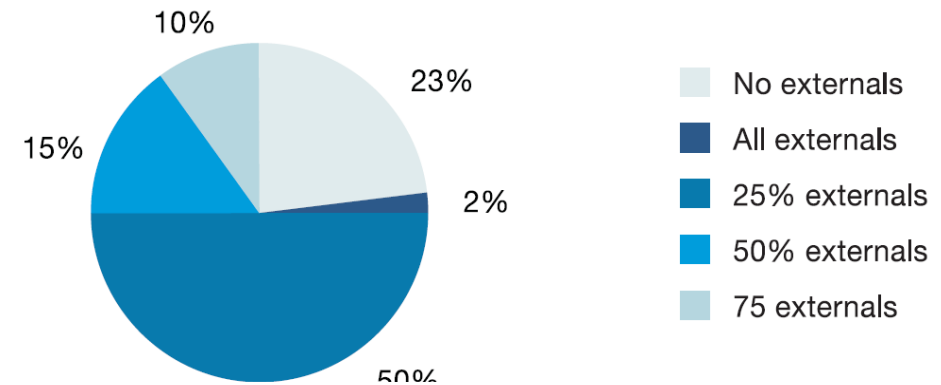
External resources add value when employed in smaller scales

Do external resources add value?

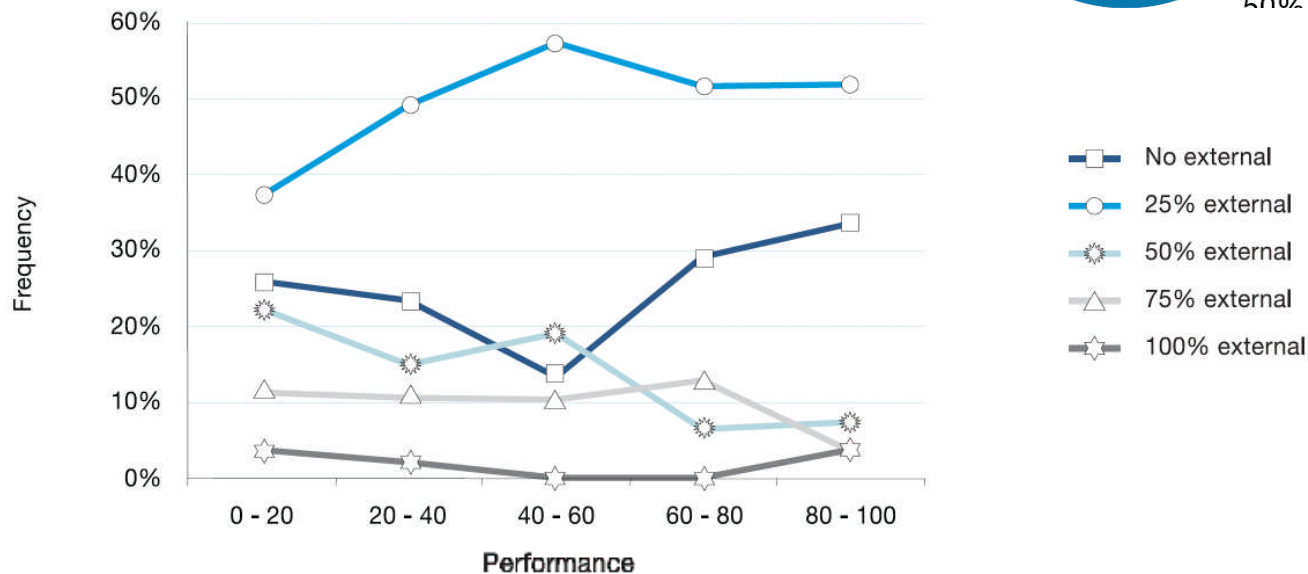
External resources, if employed in moderation, will add value and increase the performance of your project activities.

In addition, the proportion of external resources varies depending on the company's maturity level.

External versus internal resources



External resources versus performance



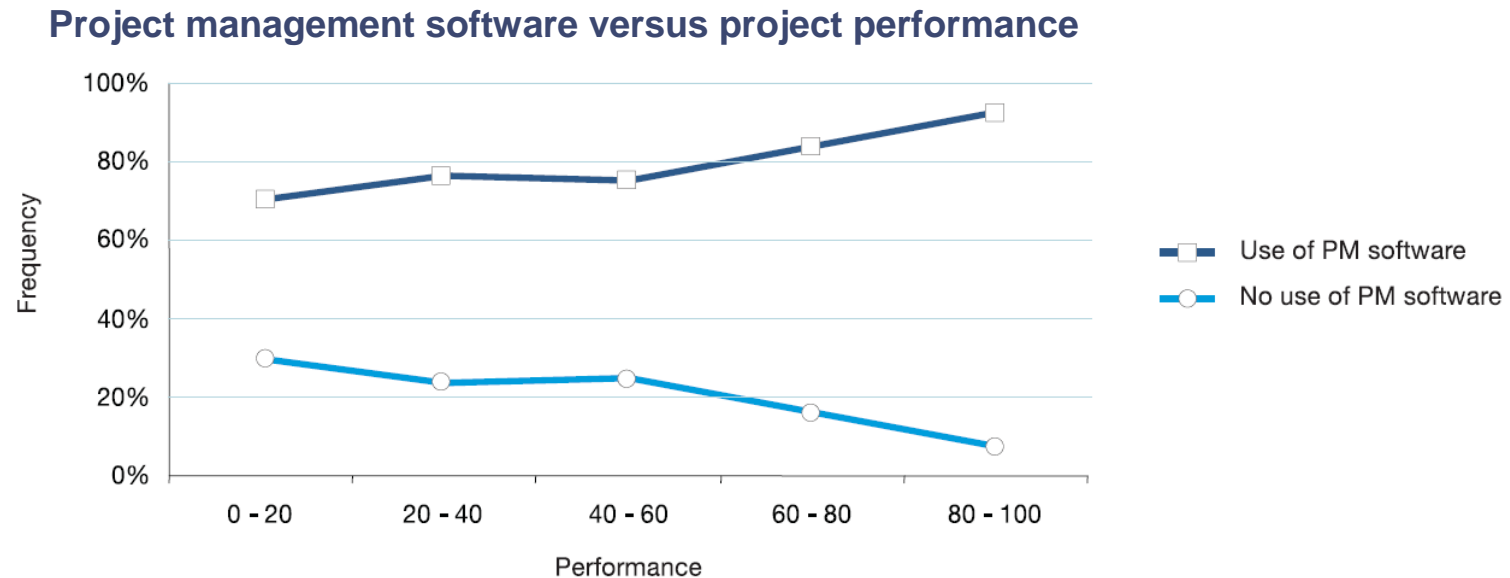
Finding No. 11 (2004 – 2007)

Implementing project management software successfully is significantly influenced by the organisation's maturity level

Specialist project management software can create or destroy value, depending on when it is that an organisation decides to buy and implement it.

At low maturity levels, software could well end up creating more problems than it solves. To reach a higher level of maturity, however, project management software becomes a prerequisite.

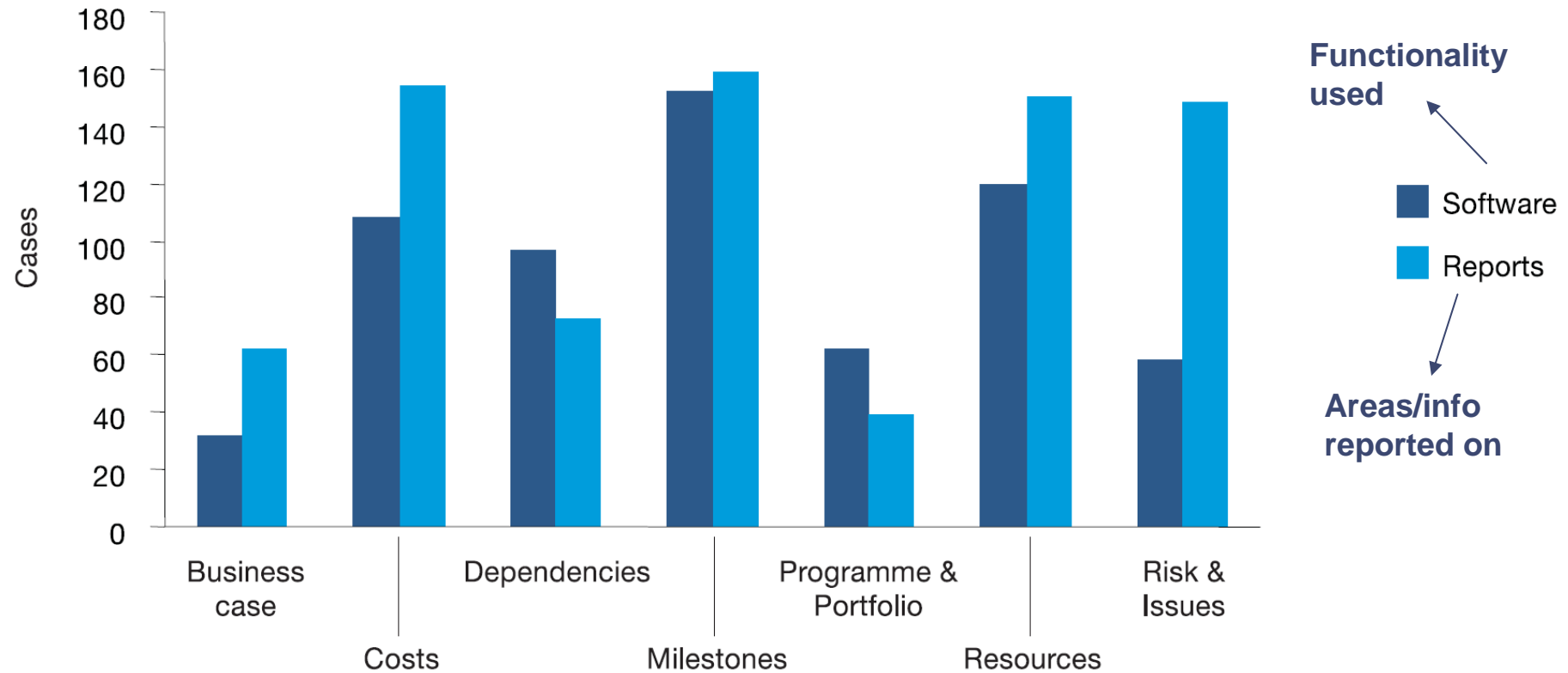
Nearly 80% Of Organisations with maturity level 3 or more utilise a PM software. Around 60% of these use MS Project or MSEP.



Finding No. 12 (2007)

Software is not used to its full potential, several reporting aspects are still performed manually

Software functionality versus actual reporting



Finding No. 13 (2007)

Having a project management methodology pays off

77% of organisations have a PMM, however only 40% use it on most projects

70% of organisations surveyed reported that they currently have a company wide initiative to improve the project management practices

Respondents who use a PMM most of the time reported a lower project failure rate than those who don't have a PMM

Performance level of organisations with no PMM

- 55% are low performers
- 30% are average performers
- 15% are good performers

Finding No. 14 (2007)

The focus on building portfolio management capability is on the rise

53% of organisations have a portfolio management capability, an increase of 7% over 2004

The most common functionalities that organisations use are project selection and prioritisation processes.

For project selection and prioritisations, organisations used the following:

Selection & Prioritisation basis:

- 28% use expected benefits & ROI
- 18% use strategic alignment
- 13% urgency to go to market
- 10% project type and classification
- 9% Risk Factor
- 9% Dependencies within portfolio
- 7% time to complete
- 6% project complexity

Finding No. 15 (2007)

Project Management Office's are now more active than just a back office function

80% of organisations surveyed have a project management office.

55% of PMO's perform middle and front office functionality relating to resource management, planning and project execution, while 45% perform a back office administration and reporting role

The location of the PMO in organisations was reported as follows:

Location of PMO in organisations:

- 34% at Corporate Level
- 25% at IT Department
- 23% in another business dept
- 18% others

Conclusions of the Authors

- Project **success** is primarily measured in terms of **benefits** realised and stakeholder satisfaction then time, cost and quality
- The ability to successfully **execute** organisational projects is what drives the realisation of intended benefits and the achievement of business strategies.
- Organisations are increasingly using **portfolio management** techniques to ensure spending is in line with strategy, and to choose projects that will have the greatest impact on the business and a strong return on investment
- Given the strategic impact that projects have on a business, organisations must follow mature project management **processes and structures** that measure progress and risks and ensure the right projects can be delivered in alignment with organisational priorities.

Questions?



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