INFORMATION RISK MANAGEMENT

2005 Global IT Project Management Survey

How committed are you?

ADVISORY

AUDIT ▪ TAX ▪ ADVISORY

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Why focus on commitment
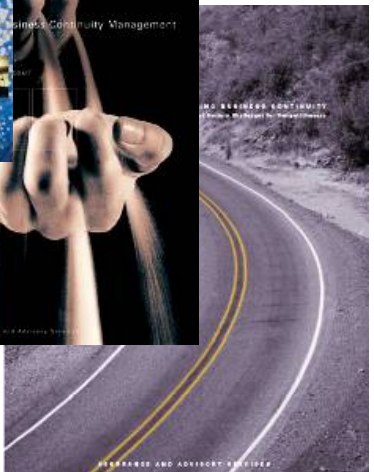
More commitments are being made

What businesses are doing to keep commitments

How well are commitments being kept

Pathway to keep more commitments

How committed are you?

KPMG thought leadership

Survey Profile

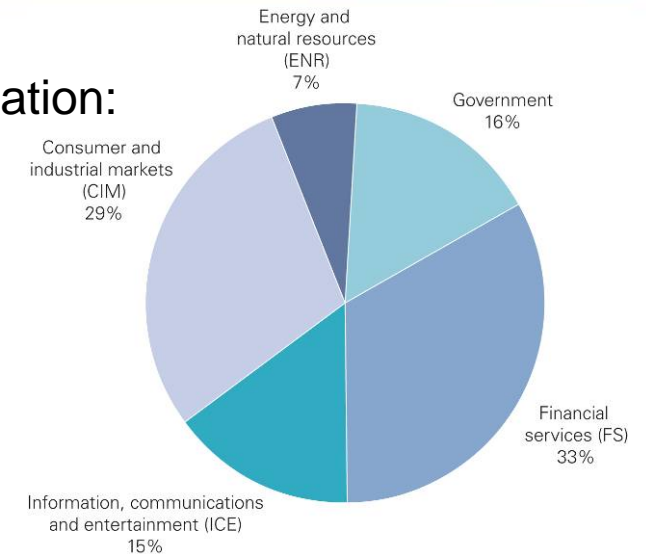One of the most comprehensive surveys:

- Over 600 organisations in 22 countries

- All major industries

- 51 multiple choice and open questions

- Face to face interviews

Key topics examined included:

- Project governance

- Benefits realisation

- Project/program management practices
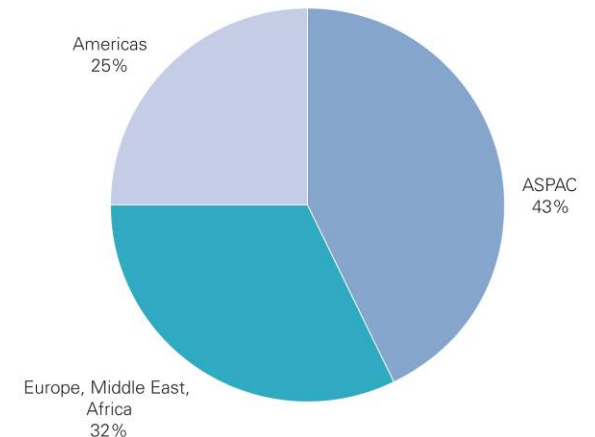
- Project success and failure

Industry participation:

- CIM 29%

- FS 33%

- ICE 15%

- Govt 16%

- ENR 7%

Energy and natural resources (ENR) 7%

Government 16%

Consumer and industrial markets (CIM) 29%

Financial services (FS) 33%

Information, communications and entertainment (ICE) 15%

Regional participation:

- Americas 25%

- ASPAC 43%

- EMEA 32%

Americas 25%

ASPAC 43%

Europe, Middle East, Africa 32%

Why focus on commitment ?

Boards and Executives make commitments to deliver benefits through projects

- Commitments involve the translation of a business strategy into outcomes

- Projects are the vehicle to achieve those outcomes

- These outcomes are typically articulated as targeted project benefits/deliverables

- Information Technology (IT) is often the key enabler to achieve the desired state

- Effective and efficient management of IT projects therefore becomes a key organisational capability

Minimising the gap between commitments *made* and commitments *kept* differentiates successful organisations from others

More commitments are being made

Increasing commitments being made

Commitments are up, with increases in:

- 81% projects

- 88% project complexity

- 79% total project budget

The majority of participants were unable to satisfactorily articulate:

- Total project budget

- Total cost of budget overruns

….driven by compliance and performance

Key drivers for the increase:

- 74% by new products/services and business process improvements

- 48% by technology refreshes

- 24% by governance and regulatory

We have also observed increased:

- Interdependencies between projects

- Volume of cross-divisional initiatives - often aimed at customer-centric objectives

Introduction

What businesses are doing to keep commitments

Increased focus on governance

Business cases are popular

Increased project management profile

PMO perception is reality

Project governance focussed on today

How well are commitments being kept

Pathway to keep more commitments

How committed are you?

Increased focus on governance

Increased focus on governance

- Boards approve 40% of business cases

- Executives are accountable for 87% of business case targeted benefits

- Executive sponsorship remains a top critical success factor

….yet it often diminishes beyond approval

Lack of Board and Executive involvement beyond project initiation/approval:

- 47% do not have KPIs defined to report ongoing progress to the Board

- 13% do not report at all to the Board

However, governance is generally accepted as being critical:

- It enables commitments to be kept

- It is about performance and compliance

Business cases are popular

Business cases are common

Majority of organisations use business cases:

- 86% have a formal process or policy

- 41% prepare a case for all projects

- 42% independently verify case assumptions

Trend for case approval moving towards an enterprise approach:

- 40% still approved by business unit head

- 33% now use Investment committees

….however, the quality must be challenged

Mandatory considerations for a business case
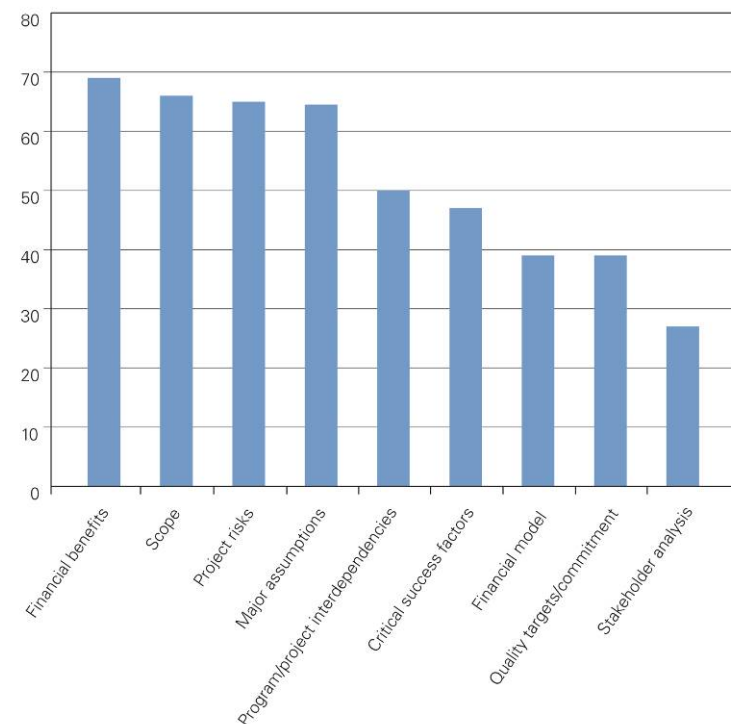
The business case often appears to be a one-time document

Increased project management profile

Project management gains profile

- Maturing profession

- Greater projectisation

- Up to 87% report projects to the Board

- 17% of PMOs report to the CEO

- Human Resource processes recognise specialised project management skills

….but not the investment

- Only 24% claim the majority of their project managers have formal project management qualifications

- 42% resource their projects with those from an operational or administrative background

- 42% have a formal processes for developing project management competency

- Only 21% of PMOs have the mandate to actively manage all projects

- 48% of still report to Information Technology

PMO perception is reality

PMOs have strategic ambition

Overall view positive, but the perceived value of the PMO has not improved
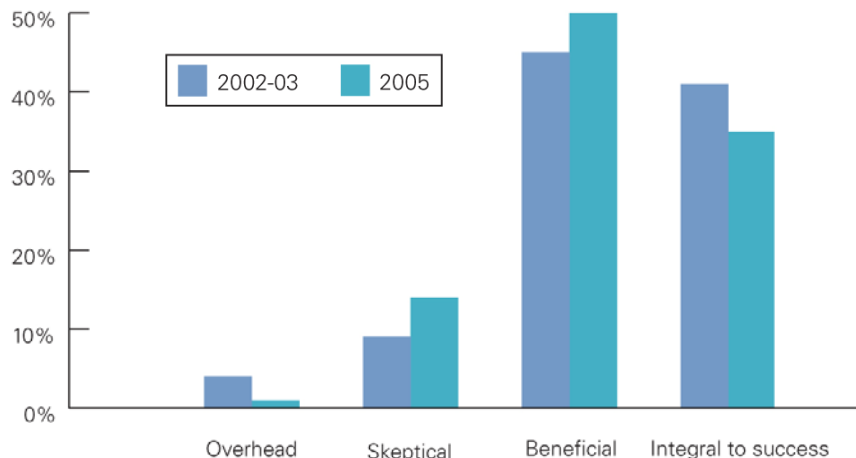
Most popular PMO objectives were:

- 23% improve management practices
- 29% increase project success rate
- 28% provision of consistency

….but remains an administrative reality

Lack of accountability for PMOs is an issue:

- 22% do not measure their PMO
- 17% align their PMO assessment with the project criteria – meeting targeted benefits

Overall, maturity and methodology provide plenty of opportunity for improvement:

- 47% rated their maturity "standardised"
- 39% rated their maturity "informal"
- 61% use hybrid/home-grown methods

Commentary highlighted that PMO leadership often lacks business acumen

Project governance focussed on today

Governance today is inconsistent

Whilst 30% of organisations always report to the Board:

- 51% of Boards have a *limited* awareness of their benefits and risks

- 20% of Executives have this level of awareness
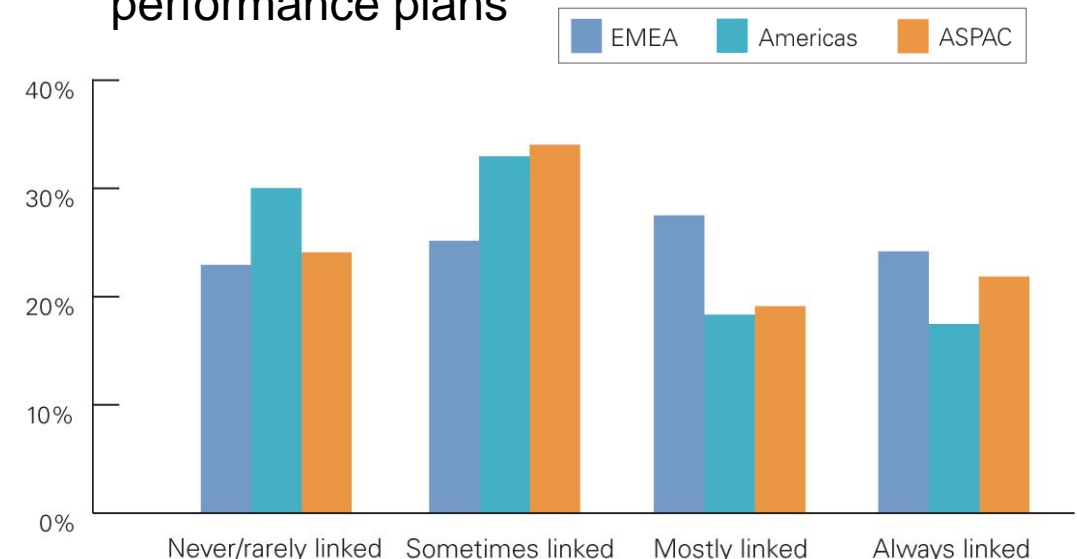
Pay for performance is rare:

- 13% use performance based funding

- 61% use lump sum funding

20% do not have any formal criteria to cancel projects, or put them on hold

….and also disconnected

Linking to remuneration is rare:

- 87% indicated Executives are responsible for achievement of project benefits

- Only 23% always tie benefits to individual performance plans

Legend: EMEA | Americas | ASPAC

Chart categories: Never/rarely linked, Sometimes linked, Mostly linked, Always linked (y-axis 0% to 40%)

Introduction

What businesses are doing to keep commitments

How well are commitments being kept

    How is project success defined today

    We don't know (and neither do you)

    Benefits leakage is the real issue
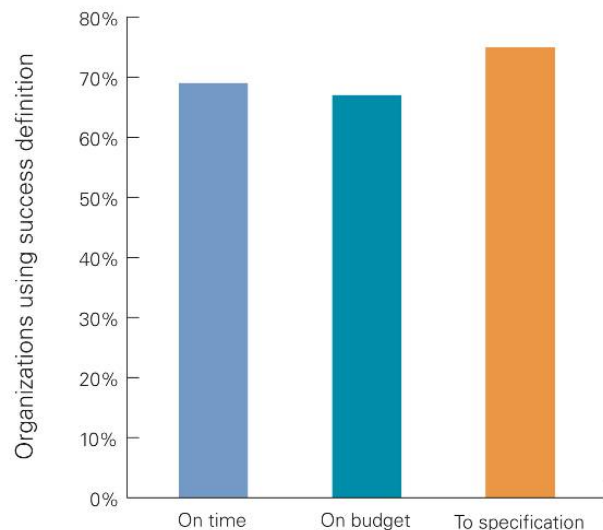
    The profile of failure

Pathway to keep more commitments

How committed are you?

How is project success defined today

The definition of success has evolved

- 49% experienced at least one "failure"

- Modest improvement from 57%

- Achieving benefits is now the key determinant of project success

…but many organisations have not

- Project success is often a matter of interpretation. Success can be:

  - achieving an acceptable level of failure or lost benefits

  - delivering something, so that you have a chance at being termed successful

- The shift away from traditional *cost* and *time* measures lifts assessment complexity

We don't know (and neither do you)

To keep or not to keep commitments

Benefits are poorly defined/measured:

- 59% have no, or an *informal*, benefits management processes

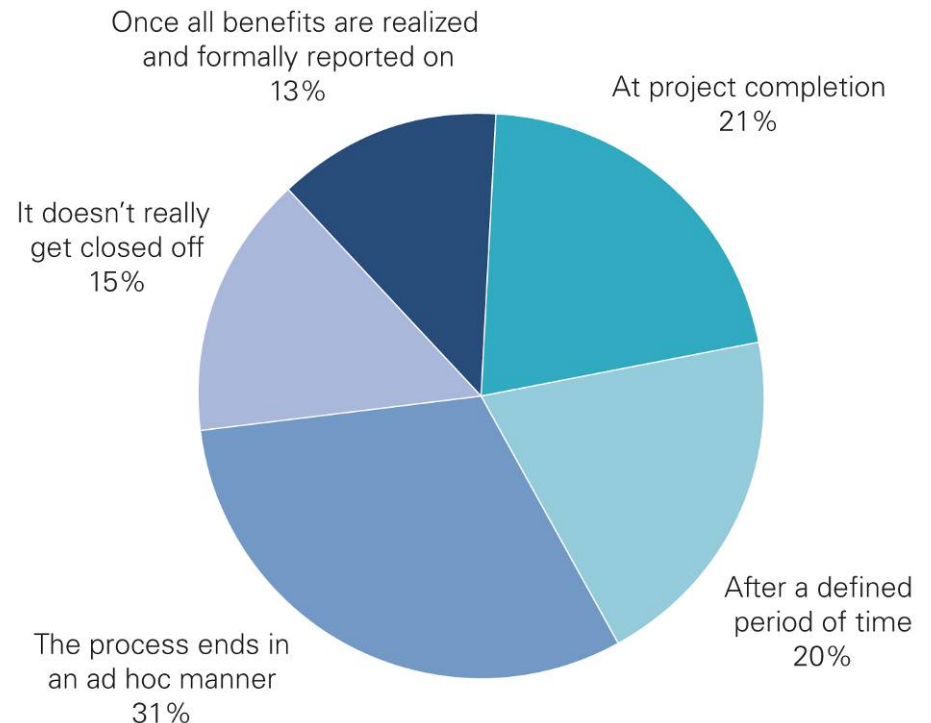- 18% of those with a *formal* process stringently enforce it

Those defined, often get forgotten:

- 13% track benefits until realised

- 31% end in an ad hoc manner

23% always integrate to operational plans

….who would know

Knowing where you start is critical, but only 27% always baseline prior to a project

Once all benefits are realized and formally reported on
13%

At project completion
21%

It doesn't really get closed off
15%

After a defined period of time
20%

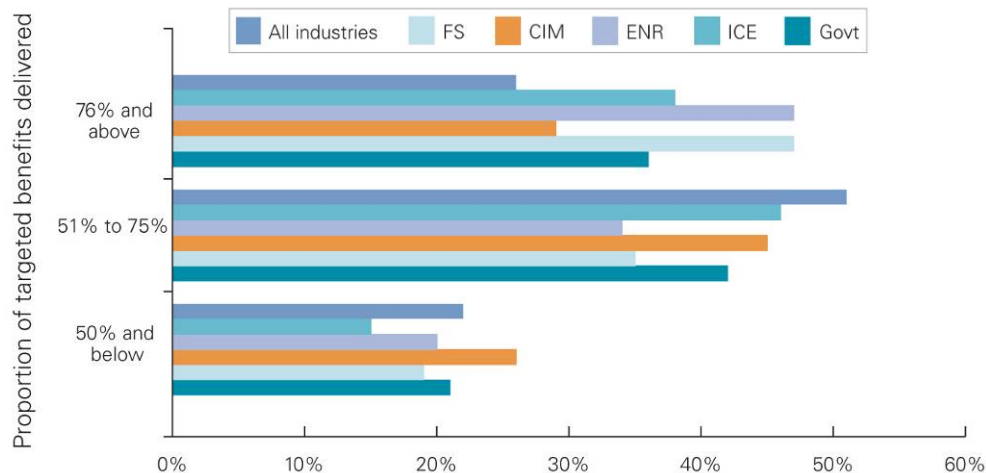The process ends in an ad hoc manner
31%

Benefits leakage is the real issue

If only three quarters is delivered

- Organisations typically deliver 51% - 75% of targeted benefits

- Only 2% claimed all benefits achieved in the past 12 months

For organizations with some benefits process, proportion of targeted benefits delivered

Proportion of targeted benefits delivered

Legend: All industries | FS | CIM | ENR | ICE | Govt

Categories: 76% and above, 51% to 75%, 50% and below

X-axis: Organizations with some benefits process (0% to 60%)

….should budgets be cut by 25% ?

With benefits so poorly defined/measured:

- How can 86% claim they only lost up to 25% of their targeted benefits?

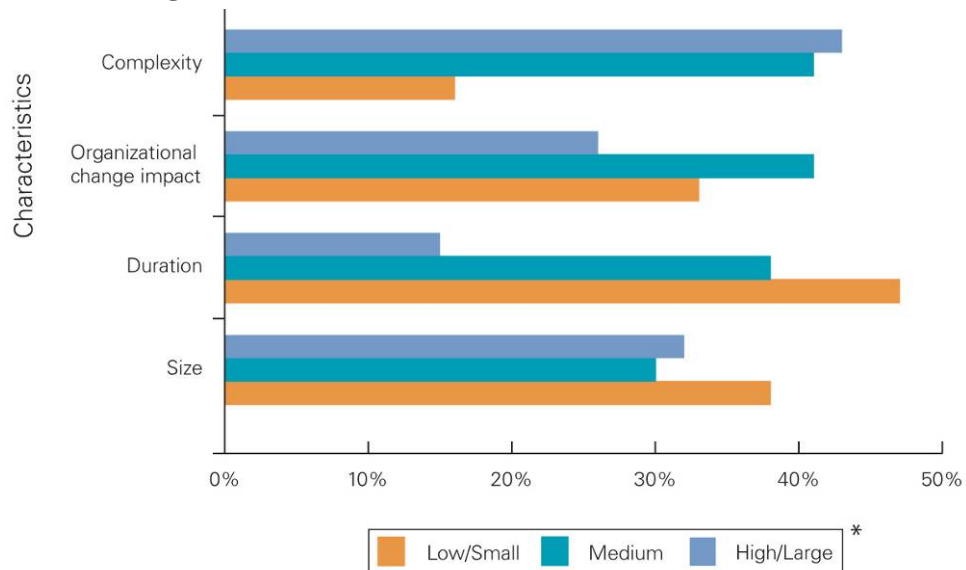- Does the remaining 14% represent more accuracy or insight into their performance?

Whilst accurate quantification is difficult:

- We deduct that generally one quarter of committed benefits is not realised

- We suspect the loss may be far higher

The profile of failure

An expected, and unexpected, profile

- 83% indicated high or medium complexity projects had higher failure rates

- 49% indicated short-term projects had higher failure rates

Chart: Characteristics vs percentage

Legend: Low/Small, Medium, High/Large

Characteristics: Complexity, Organizational change impact, Duration, Size

Axis: 0%, 10%, 20%, 30%, 40%, 50%

…and it punishes your top-line as well

The evolution of success criteria from cost-focus to benefits-focus has highlighted the high impact on the customer:

- 43% indicated their project failures directly impact the customer

- This is represented as decreased *customer satisfaction* or loss of *competitive advantage*

Most common *intangible* impacts were:

- Staff cynicism

- Negative cultural impacts

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Pathway to keep more commitments

    Collective practices required

    Project governance today and tomorrow

    Golden rules 2005

How committed are you?
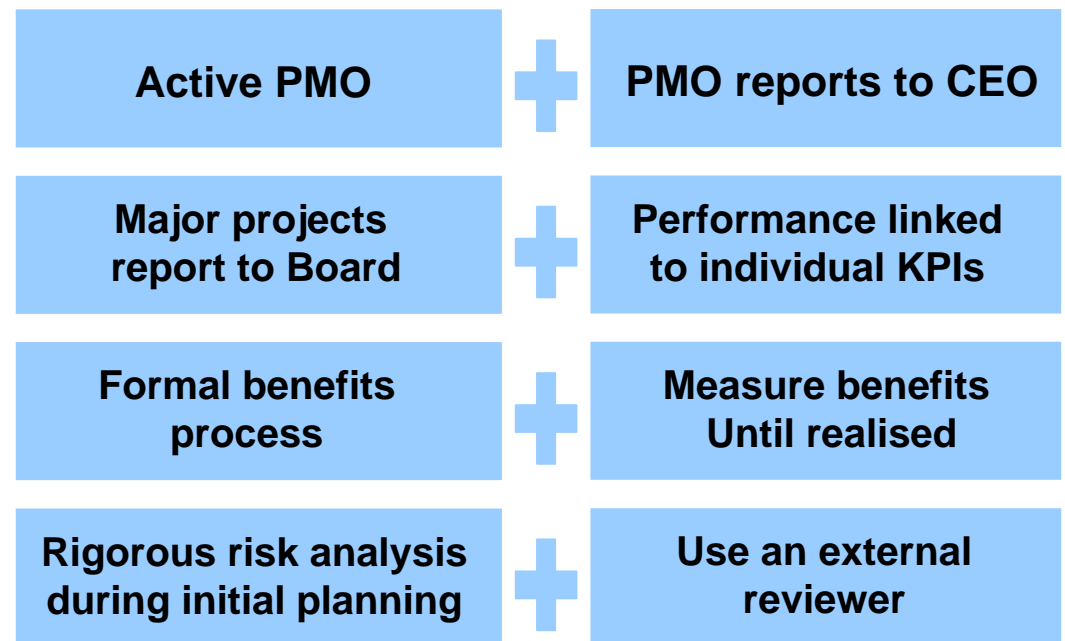
Collective practices required

Good individual practices help

For example, the following respondents experienced greater project success:

- where PMO manages all projects (22%)

- that always report to Board (30%)

- with a very formal benefits process (18%)

- where the majority of project managers are formally qualified (24%)

- who always perform a rigorous risk analysis during initial planning (29%)

….but a systematic collection of practices results in real improvement

For example, the following combinations:

Active PMO	➕	**PMO reports to CEO**
Major projects report to Board	➕	**Performance linked to individual KPIs**
Formal benefits process	➕	**Measure benefits Until realised**
Rigorous risk analysis during initial planning	➕	**Use an external reviewer**

Project governance today and tomorrow

Governance enhancement to lead to

Project governance practices can not be assessed in isolation:

- Need to address all governance drivers – equity, stakeholder, corporate and internal

- Support key constants of learning, responsibility, communication, and sustainability

…governance integration moving forward

With integrated governance, the Board's role does not stop with approval:

- The Board must put in place a rigorous oversight framework

- Effective project governance involves monitoring the project today, and tomorrow
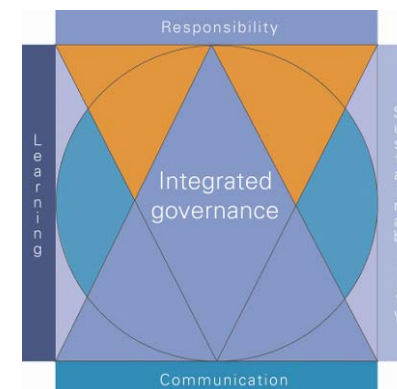
Golden rules 2005

Govern to achieve	Establish an end-to-end integrated governance framework
Prioritise to realise	Establish an enterprise-wide prioritisation processes to get more from less
Align and adjust	Ensure all initiatives are clearly aligned with business strategy and maintain alignment
Safeguard value	Control benefits leakage by clearly defining what, how and when you will receive value – and regularly reassess
Hold to account	Clearly define individual accountability for realising benefits, and integrate into operational plans
Invest in people and process	Recognise project disciplines and develop capability, capacity and risk models to suit your organisational maturity and culture

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Summary - How committed are you ?

- Boards and Executives are making **increasing commitments**

- Governance today tends to **focus on making commitments, not keeping them**.

- The **definition of success has evolved** to focus on the level of commitments kept

- Most organisations have **inadequate capability** to quantify their **benefits leakage**

- Unfortunately, if you **deliver something**, you **may be considered successful**

- On average they are **forfeiting up to one quarter** of the **promised benefits**

- The **top line gets punished** as well, with customers often impacted by project failures

- Only the **minority of organisations invest** in appropriate capability development

- **A collective, systematic approach** is required to increase your project success rate

- Ultimately, **integrated governance is the key** to significant and sustainable success

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