KPMG

INFORMATION RISK MANAGEMENT

Global IT Project Management Survey

How committed are you?

ADVISORY

AUDIT ▪ TAX ▪ ADVISORY

The findings at a glance

- Boards and executives are making increasing commitments to achieve business results through project outcomes.
- These commitments are delivered through projects, and are often articulated as project benefits in a business case.
- Both compliance and performance initiatives drove, and continue to drive, increases in project activity, budgets and complexity.
- The success rate has marginally improved since our last international survey when defined by traditional on-time and on-budget measures, but the definition of success has evolved. The most popular definition of success now is meeting promised project benefits – in other words, keeping commitments.
- Using this new benefits definition, project success is often a matter of interpretation. For the majority of survey participants, project success appears to equate to achieving an acceptable level of failure or minimizing lost benefits.
- Project governance practices today tend to focus on making commitments, not keeping them. That is, executives are often involved in selecting and approving projects, but rarely involved in delivering them.
- Inadequate benefits management processes are preventing the articulation of program and project success in the majority of cases. This creates a largely unquantifiable degree of benefits leakage.
- For those that measure benefits, on average they are forfeiting up to one quarter of the promised business case benefits across their entire portfolio commitment.

Summary

- The top line gets punished as well, with customers often impacted by project failures. This amplifies the cost of failure.
- While the discipline of project management is maturing in professionalism and profile, only a minority of organizations invest in project management capability development.
- Increased success, or less failure, is achieved by adopting a range of good individual practices. However, a collective and systematic approach is required to substantially increase your success rate and help to minimize the loss of benefits.
- Ultimately, integrated governance is the key to significant and sustainable success and delivering your commitments.

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Acknowledgements

This survey is a result of a significant investment of time and intellectual property on behalf of our valued member firm clients. We greatly appreciate and thank all participants for their valuable contributions to our research. We are committed to conducting research regularly to develop further insights into trends for the benefits of our clients.

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Egidio Zarrella

Global Partner in Charge, Information Risk Management

KPMG's Information Risk Management group is pleased to launch our 2005 Global IT Project Management Survey.

Combining insights and trends from over 600 organizations internationally, with detailed analysis by our experienced project management practitioners, we believe our survey makes a significant contribution to project management research.

With significant focus on governance and accountability, boards and stakeholders are, more than ever, results focused.

Deploying scarce investment funds, boards, management, employees and third parties are expecting and demanding results. Organizations respond by making commitments – at every level.

Projects are overwhelmingly the vehicle for executing these commitments, representing significant initiatives for any organization. As a result, the importance of making the right project commitments and keeping them is heightened.

Across the global, project performance appears to be sub-standard. In other words, organizations do not appear to be delivering on their commitments. Project commitments are being sacrificed, the required value from project investments is not being achieved and consequently the discipline of project management is coming under scrutiny. We* trust that the insights contained in this survey provide useful guidance on the essential factors behind successful project management.

* Throughout this document, 'Our,' 'We' and 'KPMG' refers to 'KPMG's Information Risk Management practice.'

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Mark Tims

Partner in Charge, IT Project Advisory, Asia Pacific

The Asia Pacific region is being fuelled by various sourcing and shared services related initiatives, as well as from major ERP or core systems replacement programs. These projects are strategic in nature and impact most, if not all, parts of the organization. This heightened level of project activity puts more pressure on organizations in the Asia Pacific region to 'get it right'. That is, build the capability, disciplines and accountabilities to deliver the value promised for the investment spend.

This survey tells us that while, in general, organizations in the Asia Pacific region are on par with their international peers, there is much room for improvement.

Bill Carr

Partner in Charge, IT Project Advisory, Americas

The Americas region recognizes the increased visibility of project management and realized project benefits to key corporate stakeholders. In fact, in today's global market place if companies expect to realize the full benefits of their project spend, then solid project management processes are a fundamental requirement. Regulatory requirements in areas of security, privacy, corporate governance, financial reporting and reporting on internal controls are increasing the visibility of project management deficiencies at the board level. Companies are reacting to the pressures of global competition and new regulatory requirements with strategic initiatives that they cannot allow to fail.

This survey identifies a number of better practices that can provide greater benefits realization to an organization as it continually assesses and prioritizes business initiatives to support future growth and improve internal performance.

Walter Palk

Partner in Charge, IT Project Advisory, Europe Middle East & Africa

The volume and complexity of major projects and programs in Europe, Middle East & Africa have increased considerably in the last 12 months. These initiatives include both major IT system implementations, as well as increases in regulatory compliance programs such as International Financial Reporting Standards (IFRS) projects, compliance with the Sarbanes-Oxley Act of 2002 and the Basel II requirements. The Middle East, not surprisingly, is burgeoning with capital investment programs, many of which include large-scale IT spend, and many African countries are focusing on 'capacity-building' in both IT project and program management. All of this points to a great need to deliver on project management promises – something that is frequently not achieved.

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Executive summary

Today's business leaders are under increasing pressure to perform and make business commitments to boards, shareholders and customers.

A big part of achieving (or not achieving) commitments rests with an organization's ability to maximize the full potential of its technology project investment.

Across the globe, organizations are depriving themselves of valuable returns on their project investments.

Most are showing good intentions, however many are experiencing shortcomings, particularly around their ability to manage projects 'through the lifecycle'. As a result, organizations are leaving expected benefits on the table.

Since our previous project management survey we have observed some improvements in the governance framework organizations have developed to oversee their activities around major IT investment spend. Is it enough? Ask your key stakeholders or shareholders. We believe the answer is 'no'.

To quote an old saying: 'Coming up with the strategy is the easy part. Executing it is the challenge.' Execution is as much about commitment as it is about capability. In the IT project landscape we ask:

How committed are you?

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Keeping commitments

Having made decisions to invest funds there is variability in organizations' ability to deliver value from these investments. In other words, projects are not delivering on their promises.

- In the past 12 months, 49 percent of participants have experienced at least one project failure.
- In this same period, only two percent of organizations achieved targeted benefits all the time.
- Eighty-six percent of organizations lost up to 25 percent of target benefits across their entire project portfolio.

To the detriment of stakeholders, organizations are making commitments, but not always delivering on outcomes.

While organizations are getting some value from their IT project investment, the survey results show clearly that most cannot determine exactly how much. Many do not even try to measure the value. So what does this mean? To us it means that significant value is being lost since many organizations either do not, or are incapable of, adequately assessing the degree of commitments kept. We refer to this as 'benefits leakage'.

Governance – end-to-end

Governance plays a key role in fostering project success and delivering value. Effective project governance needs to run end-to-end, starting at least with an in-depth business case. Positively, we found that business cases are the norm in the majority of organizations.

However, specific aspects we believe are critical for a business case are often omitted. For example, how can you make effective decisions when you do not know the project scope, key risks or key assumptions? These are missing in over one third of organizations.

In addition, while rigor might surround the initial approval of funds, governance then tends to 'fall away'. Often projects get access to the entire funds upfront, rather than being staged, subject to the achievement of particular milestones.

As noted earlier, the story gets even worse when the project enters the 'let's measure if we delivered what we said we would' phase. Only 41 percent of organizations have any form of benefits realization process and only 13 percent measure until commitments are met.

How committed to governance are you?

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The golden rules – getting value from your investments

The survey results confirmed our thinking around project performance and the real value being derived (or not derived) from IT project investments.

The following 'golden rules' summarize what organizations can do to extract more value from their IT project investments and enable them to meet commitments more of the time. The rules are covered in more detail throughout the survey.

Govern to achieve	Establish an integrated governance framework – end-to-end – driven by the executive (top management culture), at least starting from business cases and ending with measuring the actual value.
Prioritize to realize	Establish an enterprise-wide prioritization process that objectively and continuously evaluates projects to help maximize and realize the value from investment.
Align and adjust	Aim to ensure all initiatives are clearly aligned with business strategy, and where appropriate, adjust to maintain alignment (or reinvest funds elsewhere).
Safeguard value	Control benefits leakage by clearly defining what value you expect to receive, how you will get it and when; then reassess regularly throughout the project.
Hold to account	Clearly define individual accountability for realizing benefits including integrating proposed benefits with operational plans and budgets.
Invest in people and process	Recognize project disciplines, acknowledging the link between strategy and project execution. Develop capability, capacity and risk models to suit your organizational maturity and culture.

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Introduction

KPMG's *Global IT Project Management Survey* explores current trends in program and project management.

KPMG member firms conducted face-to-face interviews globally between March and June 2005, using a 51-question survey. Answers to multiple-choice and open-response questions were recorded and analyzed by a global team of KPMG project management professionals. Extensive analysis and insights are provided to help the reader achieve more effective project management practices.

Analysis was conducted on both a global and regional basis. In compiling these statistics, data has been rounded to one decimal place.

More than 600 organizations in 22 countries participated in the survey – providing a solid base of data to analyze. The survey included a wide range of organizational representatives – from C-level executives, general managers and internal audit heads through to program and project managers.

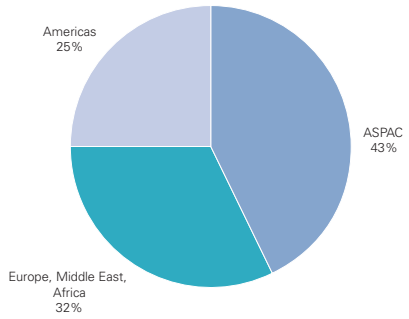
For the purposes of this survey, global regions have been defined as Asia Pacific (ASPAC), Europe, Middle East & Africa (EMEA) and the Americas. The survey population also contained participants from a variety of industries, defined as energy and natural resources (ENR); government; consumer and industrial markets (CIM); financial services (FS); and information communication and entertainment (ICE).

Proportional figures of participant regions and industries are represented diagrammatically on the right.

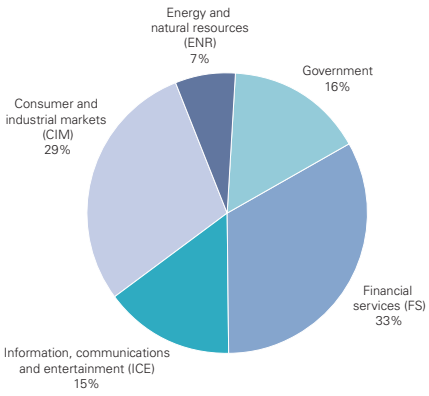
Key topics examined included:

- project governance
- business case management
- benefits realization
- project and program management practices
- project success or failure.

Participants by region



Participants by industry



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Commitments for the future

Boards and executives make commitments to deliver benefits through projects.

The last 12 months have seen increases in project activity, budgets and complexity.

Both compliance and business performance initiatives drove this increase.

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Why commit?

In a heightened corporate governance environment, businesses today are increasingly faced with the demand for accountability for any commitments made. Commitments are made at every level:

- boards are committing to all types of stakeholders, including shareholders, regulators and the community
- management is committing to the board
- employees are committing to management
- vendors, business partners and other third parties are committing to the organization.

The most prominent finding of our *Global IT Project Management Survey* is the continued lack of ability of most organizations to accurately measure the achievements of benefits derived from their projects. This underpins the ability of the project to meet the promised commitments:

Executives make commitments to deliver benefits from their project investment.

- commitments involve the translation of a business strategy into outcomes
- projects are often the vehicle to achieve those outcomes
- these outcomes are typically articulated as targeted project benefits.

The greater the ability to oversee and deliver projects and programs effectively, the greater the likelihood that business commitments will be met.

Increasing commitments

Over the last two years, since KPMG's *International 2002-2003 Program Management Survey*, KPMG has observed an increase in program activity across all sectors of the economy. Statistically supported against the prior 12 months, there has been an increase in the:

- number of new projects (81 percent of organizations)
- complexity of projects (88 percent of organizations)
- total project budgets (79 percent of organizations).

The majority of organizations interviewed were unable to articulate their total project budget with an acceptable degree of confidence, precluding an accurate estimation of the total budget. However, we can anecdotally confirm that total project budgets are considered to be significant by all financial metrics.

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Key commitments driving increased projects:

- new products/services
- business process improvement
- technology refresh
- increased governance and regulatory requirements.

What is driving the demand for increased project activity?

Regulatory change is not the sole driver of increased project activities. 'Stay-in business' and 'grow-the-business' drivers are playing an equally significant role in driving the demand for project activities.

- Over the past 12 months, compliance drivers have received significant public spotlight globally. The Sarbanes-Oxley Act of 2002, International Financial Reporting Standards (IFRS), Basel II and a host of multinational, industry-specific or local governance and regulatory requirements have contributed to increased project activity in 24 percent of organizations.
- The major drivers (74 percent) for project activity were new products and services, or general business process improvements. This reflects growth and efficiency initiatives that are part of many organizations' agendas.
- Technology refreshes accounted for increased activity in 48 percent of organizations.

Today's projects are often characterized by increased complexity and interdependencies. We have observed an increased volume of cross-divisional initiatives requiring multi-disciplinary teams, aimed at integration of customer-centric objectives.

"…we have found that our projects are increasingly traversing organizational boundaries. Some of them involve divisions such as Customer Service, Compliance, Human Resources, Finance and IT…This forces us to create a cross-functional project team to drive our business objectives of integration and customer centricity."

CFO, entertainment organization

With this increase in project investment and accountability, the ability to execute and oversee becomes increasingly important. Our survey reveals some interesting facts regarding the effectiveness of project execution.

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What organizations are doing to keep their commitments

Governance is receiving increased focus, but a more holistic view is required.

The discipline of project management is maturing in professionalism and profile.

Business cases are common, but rarely address benefits sufficiently.

Project governance diminishes beyond the funding approval stage.

Steps are being taken towards enhancing project governance.

Our research has identified a number of encouraging moves by businesses to keep their project commitments. However, organizations still face a number of profound challenges.

Increased focus on governance

The trends

Board and executive involvement has increased. This is illustrated by the following facts:

- boards approve 40 percent of business cases
- executives are ultimately accountable for 87 percent of business case target benefits
- executive sponsorship and management buy-in remains one of the top factors that respondents indicated contributes to project success.

With so much focus on top management, how do they (or should they) govern?

Why is governance important?

Governance is the layer that sits between making a commitment and achieving it. It is the process of assessing, directing and monitoring whether benefits or business outcomes are being achieved from projects. Governance is as much about performance as it is about compliance and control.

Effective governance over projects cannot occur in isolation and needs to be an integral part of an organization's overall governance framework. The governance debate has inherently brought a stronger focus on improving the governance over projects, but this has arguably not progressed as rapidly or as extensively as other governance domains since project governance relies on the integration of all other areas.

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"Project management is fast developing as a career, rather than just a role, within our organization."

PMO head, financial services institution

Ultimately, governance over projects seeks to provide answers to some key organizational questions.

- How closely aligned are my projects with my business strategy?
- Do I clearly understand the value I will receive from my project investment and when I will receive it?
- What are my key project risks?
- How do all my projects impact each other?
- Which project should have priority over others?
- Which are my under-performing projects?
- What is my organization's capability and capacity to deliver and absorb all this change?

An organization surveyed discussed its implementation of an enterprise-wide project governance committee which successfully provides governance across their portfolio of projects. The committee is ultimately accountable for project delivery and necessarily responsible for addressing issues such as project risk and organizational capacity and change.

Increased profile for project management

The organizational profile of project management continues to increase.

- Up to 87 percent of organizations report projects to the board (but highly qualified by level of investment and organizational impact)
- Increased number of project management offices (PMOs), with 17 percent now reporting to the CEO
- A significant amount of commentary during our interviews indicated a fast maturing of human resource (HR) processes to recognize the specialized project management skills required to be effective.

These trends are encouraging, and will no doubt continue to positively influence organizations' project management competencies, capabilities and successes.

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Business cases – fact or fiction

Eighty-six percent of all participants reported the existence of a formal policy or process for creating business cases. In addition, almost half of all organizations surveyed prepared business cases for all projects – demonstrating the growing acceptance of the need to commit to the justification of investments to sponsors.

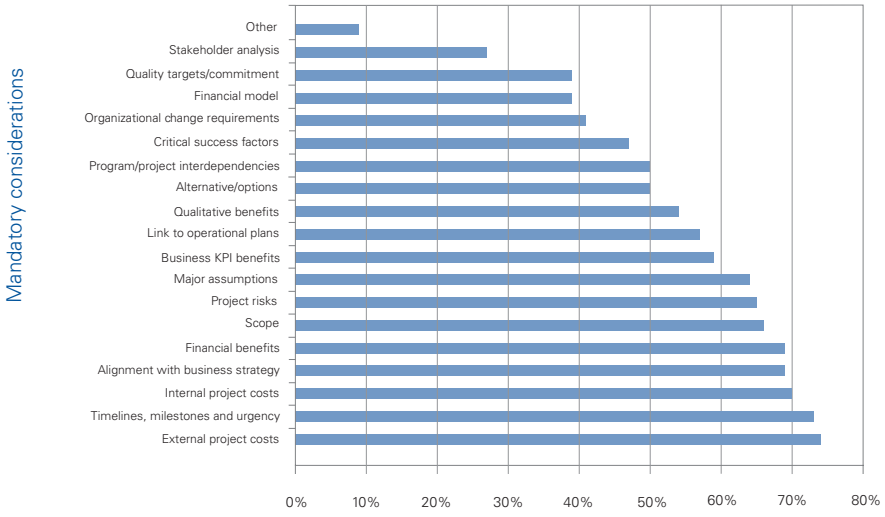
The *quantity* of organizations utilizing business cases among survey participants is indeed promising, however this does not automatically translate into *quality* use. From the survey results, the following areas of concern were identified.

- What considerations are included in business cases?
- How should funding be invested to promote performance?
- What role does the business case play in the governance of the project?

The following graph indicates the percentage of organizations considering each category when developing business cases.

One third to half of participants did not include some fundamental considerations in all of their business cases:

- project scope
- project risks
- key assumptions
- critical success factors.



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Nearly one in three organizations does not always define financial benefits in their business cases.

What benefits?

When undertaking a project – and in proposing a business case – management is inherently committing to deliver a range of benefits to the organization and its stakeholders. So what benefits are management committing to deliver? Disturbingly, 31 percent of organizations surveyed do not always define financial benefits.

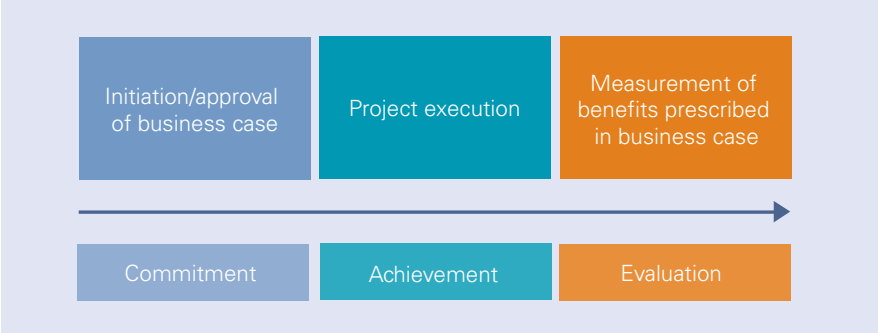
"The business case seems to often be a sales document for our competitive capital allocation process"

COO, consumer goods organization

Business cases governance

The process for approving business cases is a key governance issue. Often legitimate project proposals are clouded with political agendas and are not transparent regarding the ultimate objective for the organization, individual or group.

The core role of business cases in measuring commitments kept



According to our findings, 40 percent of organizations get approval for business cases through the business unit head. It is worth noting, however, that investment committees are increasingly becoming a vehicle for approval, and are now used by 33 percent of organizations surveyed. This trend indicates the growing recognition that many initiatives are cross-functional and require an enterprise-wide approach.

"…when we develop business cases we focus on providing a level of information required for compliance with company policy. The documents once approved are often filed and referred to occasionally throughout the project, if at all."

CIO, energy and natural resources organization

A relatively high 42 percent of organizations independently verify business case assumptions. This is a key facet to validating a business case, however the process cannot happen in isolation. The associated accountability throughout the project is just as important as validating the base assumptions.

The business case should not be a one-time document. It helps form the project baseline, which should be reviewed periodically and clearly at the achievement of each project milestone, for the whole lifecycle.

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Project governance – here today, gone tomorrow

Often executive involvement is too focused on project-approval activities. Once funds are released, most organizations do not continue the same rigor through ongoing governance processes, including active executive involvement and monitoring and measuring benefits.

> "Even when a project is easily suited to performance-based funding, like software delivery by external parties, we rarely pursue it."
>
> **CIO, manufacturing organization**

For example, only 13 percent of organizations provide funding to projects following the achievement of milestones, with 61 percent still providing funding upfront in a lump sum (even if over multiple budgetary periods). Pay for performance is rare. Furthermore, only 20 percent of organizations had any formal criteria to cancel projects or put them on hold.

Top management support and involvement is generally accepted as a key factor to achieve success. Yet, while 30 percent report to the board, the degree of awareness can generally be challenged.

- Fifty-one percent indicated boards have only a limited awareness of project benefits and risks. Of equal concern is that 20 percent of executives also only have this basic level of awareness.
- Commentary still referred to the lack of executive involvement, and this was the third most popular reason offered for project failure.

For all significant projects, the board's decision-making process is critical, with key considerations being budget, timelines and benefits. In the integrated governance model the board's role does not stop with the approval.

Good governance over projects means establishing effective processes that extend throughout the lifecycle including:

- initiating projects with a robust business case
- funding projects which will yield the greatest value
- funding based on performance
- ongoing monitoring of projects
- measuring the value received
- terminating projects that are unlikely to deliver an acceptable level of benefit.

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In this last case, we recognize that outright cancellation of a project or initiative is often difficult – for either logical or political reasons. We have observed in many circumstances that – project cancellation often means a renaming exercise, or potential fragmentation of prior initiatives. However, a 'brave' decision in the short-term could save a great deal in the longer term – cancelling a project unlikely to deliver expected benefits should not be seen as a failure – failing to cancel such a project should be.

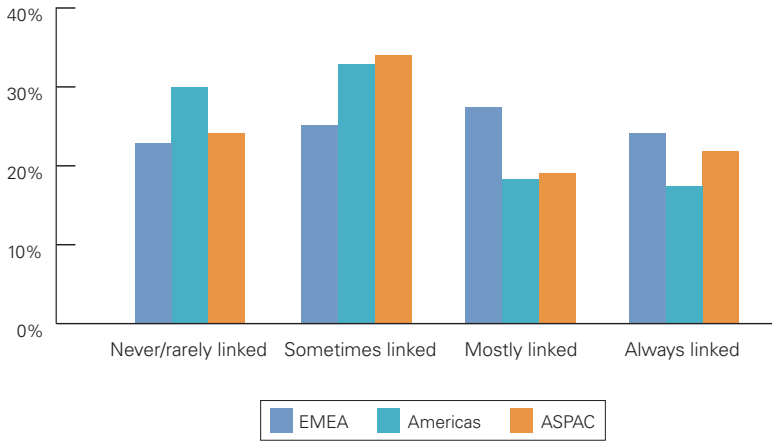
Canceling is not failure, but failing to cancel is.

Business owns, but business not accountable

In 87 percent of cases, executives (project sponsor or business unit heads) are responsible for the achievement of project benefits. However, the project benefits are tied to individual performance plans in only 23 percent of cases.

One consumer and industrial markets organization surveyed noted that when project performance was linked to remuneration or included a bonus component, overall alignment and commitment increased and the project team's culture became more cohesive. This often translated into goal and milestone achievements and a better level of benefits.

Project benefits linked to executive performance plans



Interestingly, the Americas lags the ASPAC and EMEA regions with the level of executive commitment aligned to individual performance plans.

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How well are commitments being kept?

Achieving benefits – keeping commitments – is now the key determinant of project success.

Project success is often a matter of interpretation. For the majority of survey participants, project success appears to equate to achieving an acceptable level of failure or lost benefits.

On average, organizations are forfeiting up to one quarter of the promised business case benefits across their entire portfolio commitment.

Inadequate benefits management processes are preventing the articulation of program and project success in the majority of cases.

The top line gets punished as well – customers are often impacted by project failures.

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Better on some measures, but not on those that count

A successful program or project equates to commitments kept.

Deliver any outcome, and you have a chance of being termed successful.

In the past 12 months, 49 percent of participants have experienced at least one project failure. This is a modest improvement from our 2002-2003 survey where 57 percent had experienced at least one project failure over the prior year.

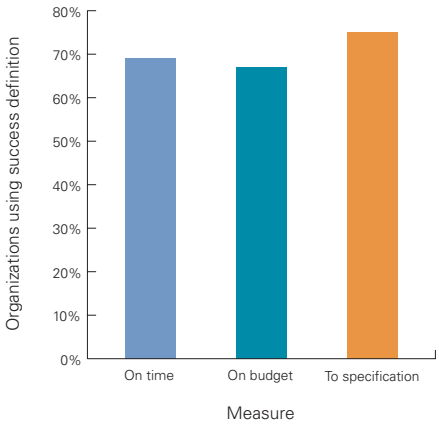
Despite improvement, this is still clearly not an acceptable result. Further, many interview comments (perhaps cynical) suggested that often a project would need to be a complete disaster for it to be tagged a failure.

Historically, project management industry surveys and research papers have focused on the easily quantifiable traditional measures of success of 'on time' and 'on budget'. As illustrated on the right, these two measures are still popular, but 'to specification' was considerably more common.

This was also consistent with our participants' definition of project success, with the overwhelming majority of responses being 'delivery of targeted benefits' (or the equivalent in their own words).

In this environment, where measuring benefits is the way to demonstrate kept commitments, the necessary shift away from traditional time and cost measures lifts program and project management assessment to a new level of complexity.

Defining project success



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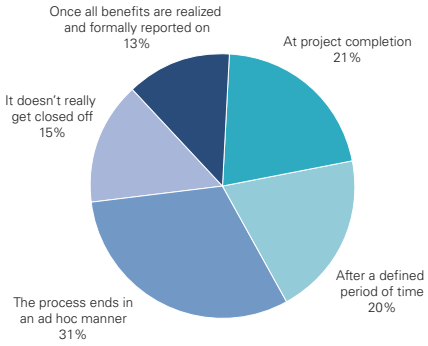
Many of the organizations without benefits-management capability commented that this was on their short-term agenda.

When does the tracking of benefits end?



To keep or not to keep – who would know?

The capability to accurately assess benefits delivered remains poor.

Benefits are poorly defined (or measured)

A remarkably high 59 percent of organizations either have no, or only an informal benefits-management process. Only 18 percent of those who have a formal process stringently enforce it. An interesting implication of this is that with benefits so poorly defined and/or measured, how can the 86 percent of survey participants claim they only lost up to 25 percent of their targeted benefits? The loss may be far higher.

The necessary practice of baselining current business performance is low with only 27 percent reporting they always baseline. This will create challenges in defining with accuracy what expected benefits will be, as well as trying to measure with accuracy the actual benefits derived.

Those defined, often get forgotten

The benefits story worsens. Only 13 percent track benefits until they are realized and formally reported on, with 31 percent indicating that tracking ends in an ad hoc manner.

"The commitment to monitoring the benefits of a project once completed is minimal to say the least. Who has time to measure the benefits of one project when you have multiple others overdue and waiting for initiation?"

PMO head, communications organization

If remembered, they are rarely integrated

Consistent application of strategy throughout the organization is key to success. Yet, few organizations are prepared to link sponsor commitments (project benefits) to operational measures. Just 23 percent always integrate benefits to operational plans and/or profit and loss statements.

Without a robust benefits evaluation and measurement process, organizations will struggle to maximize the return on their project investment. In the interim, project investments will continue to under-deliver and commitments will not be kept.

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Stop, or at least slow, the benefits leakage

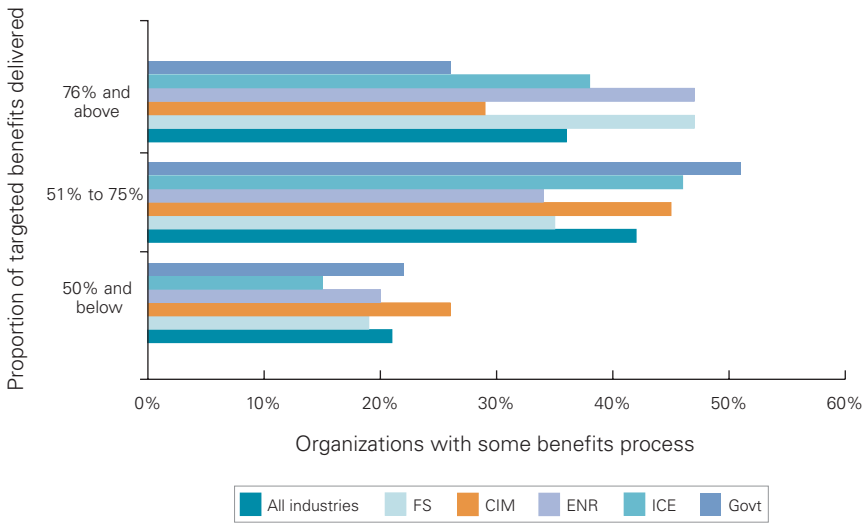
A 'benefits-driven' measure of project success means greater accountability and raised expectations at every stage of the project lifecycle. It requires increased project governance through scrutiny over the business case, through to enhanced processes during and post-project completion. Without a rigorous approach to benefits capture, organizations risk benefits leakage – not all the benefits will be extracted.

Benefits leakage – unachieved benefits or those incapable of being measured satisfactorily.

With this focus it is unsurprising that only two percent of organizations claimed they achieved targeted benefits all the time in the past 12 months.

An industry breakdown of success rate is provided for those organizations with some level of benefits process.

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



For organizations that claim to have a benefits-management process, some interesting observations were:

- across the board, organizations acknowledged that they obtained 51-75 percent of benefits for half of their entire portfolio
- government and consumer and industrial markets participants acknowledged a lower level of benefits obtained than other industries.

So the question remains, how disadvantaged are those organizations without a benefits-management process?

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"Project failure – we don't have a definition."

CIO, manufacturing organization

The price of failure

Why do projects fail? When asked their definition of failure, many organizations suggested it centered on timeframe and cost blowouts. The three main reasons for failure identified by organizations included:

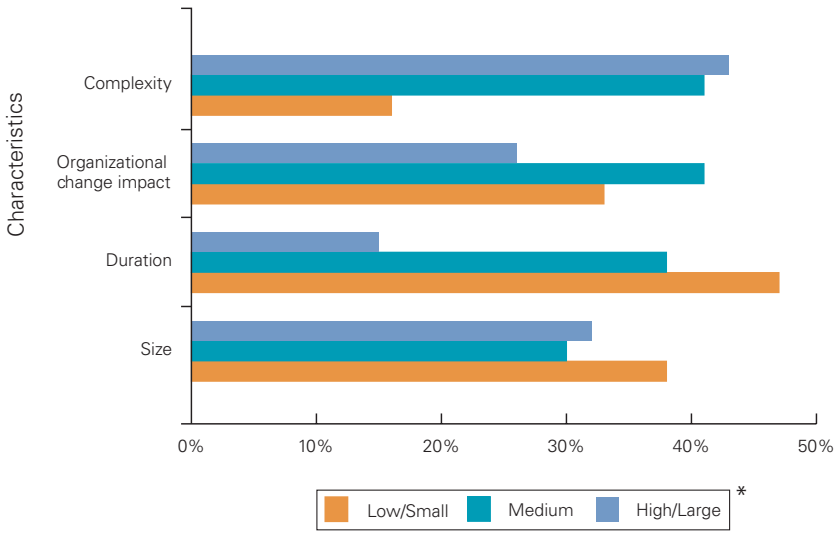
- unclear/change of scope requirements
- poor project management processes
- lack of executive sponsorship and management buy-in.

"A project is a failure if it has not fulfilled its objectives of improving the decision-making capabilities of the management team. Projects may overrun in terms of cost and schedule, but these can be overshadowed if the desired impact on business improvement is achieved."

CEO, insurance organization

Beyond the money and loss of targeted benefits, the most common 'intangible' impact of project failure was staff cynicism and negative cultural impacts (31 percent). The table below illustrates the size of impact on each of the following project dimensions: complexity, organizational change impact, duration and size.

Extent to which project characteristics contribute to failure



* The measure of individual characteristics influencing the project e.g. a low level of complexity correlates to a lower level of failure

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So where is failure more likely to occur? Our interview participants highlighted the following two points:

Complexity increases	Not surprisingly, projects with greater complexity difficulty had higher failure rates. Eighty-three percent of interviewees indicated that projects with high and medium levels of complexity were more likely to fail than those with lower levels.
Short-term projects	Forty-nine percent indicated short-term projects (< 1 year) need to be watched and were more likely to fail than those of longer duration, with only 14 percent indicating that long-term projects (> 2 years) were more likely to fail. Commentary suggested that the level of management focus on the large, high-impact projects resulted in higher success rates (or the inability to politically accept a failure).

The impact of these lost benefits is clearly difficult to quantify accurately across all industries and countries. Generally the survey indicates that one quarter of committed benefits are not realized.

One quater of committed benefits are not realized.

The top line gets punished as well

KPMG's *International 2002-2003 Program Management Survey* carried the theme 'why keep punishing the bottom line?' Our findings then illustrated an average heavy financial loss at the bottom line through overrun budgets on failed projects. The evolution of success criteria from a cost-focus to benefits-focus has highlighted the high impact on the customer and the top line.

Forty-three percent of participants indicated their project failures directly impact the customer. Survey participants represented this as decreased customer satisfaction or loss of competitive advantage.

What is the financial impact of this top-line punishment? Clearly, it is more difficult to accurately assess financially, but we suggest that this impact is far more significant and ongoing than a one-time, cost blow-out on project expenditures (even if the blow-out is greater than 30 percent).

Enhanced governance and risk management activities on project areas that could impact customers appear the logical action. This will necessarily involve a greater range of stakeholders than before – including the customer.

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Pathway to keep more commitments

Collective practices are required if organizations aim to achieve a lower failure rate.

An appropriately rigorous, integrated and balanced project governance regime is the key to sustainable success.

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Collective practices required

What makes some organizations more successful than others? There is no one single answer to this question. Success is driven by a combination of factors, each working in tandem to produce desired outcomes. The key element appears to be an appropriate governance framework – to complement planning and prioritization of activities and to help ensure execution controls are in place until benefits are realized.

Organizations that achieve a lower failure rate:

- have a PMO that actively manages all projects (22 percent of participants)
- report to the board regularly on major projects (30 percent of participants)
- have a very formal benefits process (18 percent of participants)
- have formally qualified project managers (24 percent of participants claim this represents the majority of their project managers)
- always perform a rigorous risk analysis during initial planning (29 percent of participants).

In addition, the following logical combination of practices increases the level of success:

- a PMO that actively manages all projects and directly reports to the CEO
- major projects regularly reporting to the board with performance linked to individual incentives
- the existence of a formal benefits process and measurement of benefits until they are formally realized
- a rigorous risk analysis during initial planning and the use of an independent reviewer.

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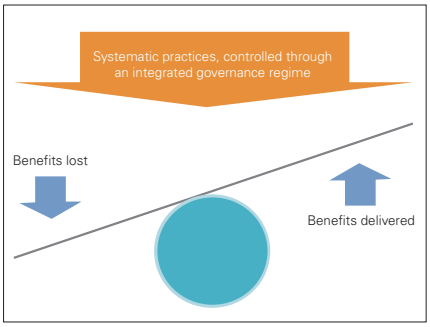


A systematic collection of practices, controlled through an integrated governance regime, will help to optimize your success rate – more commitments will be kept and more benefits realized.

One financial services organization reported a dramatic increase in the number of projects meeting specified success criteria. A combination of measures to help ensure business objectives were met including the establishment of an enterprise PMO, formalizing the identification and measurement of benefits, and mandatory regular reporting to the board of directors.

Project governance – here today, here tomorrow

Several findings from our research support the argument for assessing project governance practices. However, this cannot be in isolation from your whole governance framework. So what does an effective governance framework consist of?

Sustain shareholder value.

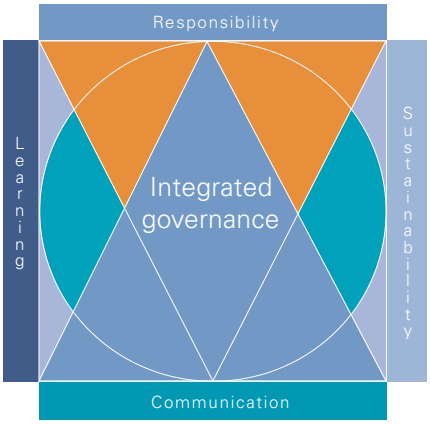
Justice, integrity and trust in all stakeholder relations.

Achieveing sustainable value by informed descision making, insightful oversight and collective wisdom.

Performance focused. Recommendations, decisions, implementation and achievement.

KPMG promotes the adoption of an integrated governance framework. The prospects of achieving your commitments through project success are enhanced by using an integrated governance framework, which links the four governance drivers – equity, stakeholder, corporate and internal. The key constants for these governance drivers are responsibility, communication, learning and sustainability.

For all significant projects, the board's decision-making process is critical, with key considerations being budget, timelines and benefits. In an integrated governance environment the board's role does not stop with the approval.



The board must put in place, through management, a rigorous oversight framework to monitor achievement of budgets, the meeting of timelines and to help ensure the agreed benefits are realized.

To achieve this, the board must receive the right information at the right time.

Project governance involves decision-making today and continuous oversight and monitoring the success of the project tomorrow.

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The golden rules – getting value from your investments

We summarize below our collective thoughts regarding key practices for extracting value from your IT investments. These key practices should be considered at an organizational rather than a project or program level as most involve changes to the way that organization views and oversees.

Govern to achieve	Establish an integrated governance framework – end-to-end – driven by the executive (top management culture), starting from business cases and ending with measuring the actual value. The framework should enable informed decisions to be made using a consistent approach. The governance framework influences each project and includes consolidated project performance reporting which is delivered to the executive.
Prioritize to realize	Establish an enterprise-wide prioritization processes that objectively and continuously evaluates projects to help maximize and realize the value from investment. Consider 'stage gate' funding as part of this process, whereby project funds are released subject to the successful achievement of certain performance hurdles for each milestone. The control of funding is an important governance element especially for large complex projects. It also enables more effective evaluation of project performance and the ability to stop projects promptly if required.
Align and adjust	Aim to ensure all initiatives are clearly aligned with business strategy, and where appropriate, adjust to maintain alignment (or reinvest funds elsewhere). Forcing projects to justify how they will contribute to the achievement of business goals enhances business alignment, directs funds towards essential projects and enables more effective prioritization between projects. Project demand often outstrips project supply, so this mechanism enables objective investment assessments.
Safeguard value	Control benefits leakage by clearly defining what value you expect to receive, how you will get it and when; then reassess regularly throughout the project. Implement robust benefits capture and measurement processes together with clearly defined accountabilities. These processes should enforce the regular reporting to the executive on the status of benefits capture and measurement. Impose, as part of required project discipline, the requirement to develop a benefits management plan for projects. This plan will define the what, when, who and how of project benefits.
Hold to account	Clearly define individual accountability for realizing benefits including integrating proposed benefits with operational plans and budgets. Communicate clearly, as part of the business case/funding phase, who is accountable for delivering value from project investments. Define how this will be measured, carefully scrutinize the planned benefits and have operational management impacted by the project also sign off on the proposed benefits.
Invest in people and process	Recognize project disciplines, acknowledging the link between strategy and project execution. Develop capability, capacity and risk models to suit your organizational maturity and culture. Compare the projectized nature of your organization (a high rate of projectization vs low level of projectization) with the capability and skill set required by your organization to deliver. Recognize project management as a core competency and develop competency frameworks, together with supporting project management support and infrastructure, to raise your organization's ability to deliver value from project investments.

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Current practice overview

Today's project management landscape and organizational practices reflect the heightened attention being given to the discipline.

PMO – can it realize the strategic potential?

The Enterprise Project Management Office (EPMO) is an obvious vehicle to deploy project governance from the corporate level through to each and every project. However, in practice, our participants acknowledge that EPMOs are rare and PMOs remain the norm. To evolve from PMO to EPMO, consideration of the following factors is essential.

The PMO function today

The life of the formal PMO appears stop-start, with a fairly even distribution of PMO ages among our participants. Since our last survey in 2002-03, many new PMOs have been launched, or at least, re-launched. Commentary indicated that PMOs are often reborn under a change of executive sponsorship.

The most popular PMO objectives were to improve project management practices (23 percent), increase project success rate (29 percent) and provide project management consistency (28 percent).

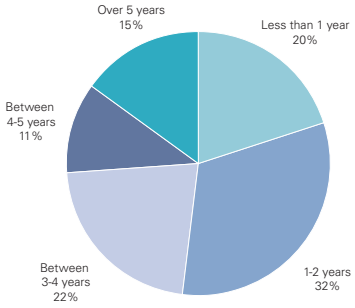
Consistent with our 2002-03 survey, the older PMOs generally:

- experienced a higher success rate than younger ones
- self-rated at a higher overall project management maturity rating.

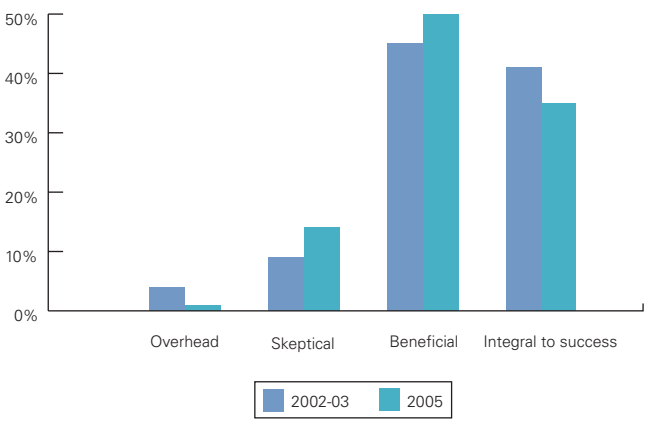
Perception has not improved

While the overall view remains positive, the perceived value of the PMO by executives has not improved in the past several years. This can be attributed to the rarity of EPMOs – PMOs while effective, do not act as a strategic vehicle for pushing project governance through to all projects.

How long has your organization had a formal PMO?



Perceived value of the PMO



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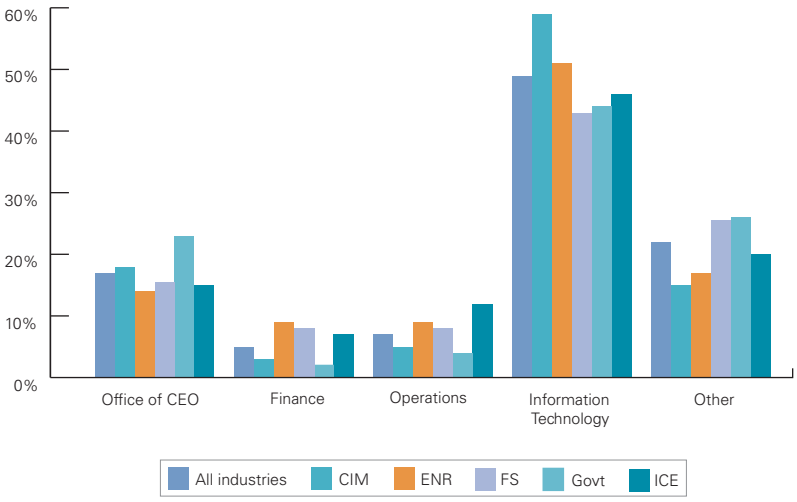
Organizations perceiving PMOs with neutrality or negativity (26 percent) often cited the following as hindering potential:

- resourcing the PMO with generalists/administrators (42 percent claim the majority have predominantly operational skills)
- lack of formal project management qualifications (only 24 percent claim this represents the majority of their project managers)
- informal processes for developing project manager competency (only 42 percent with formal processes)
- PMO leadership lacking strong business acumen and commercial training.

However, these industry-wide challenges apply to any organization's project-delivery capability.

PMO ownership by industry



Realizing potential

Few PMOs have a genuine strategic function, with a mandate to control all projects (21 percent). This is consistent with only 17 percent of PMOs reporting to the office of the CEO and just under half (48 percent) reporting to Information Technology – a surprise increase from our 2002-03 survey which was 36 percent. The proportions, either viewed by region or industry, are approximately the same.

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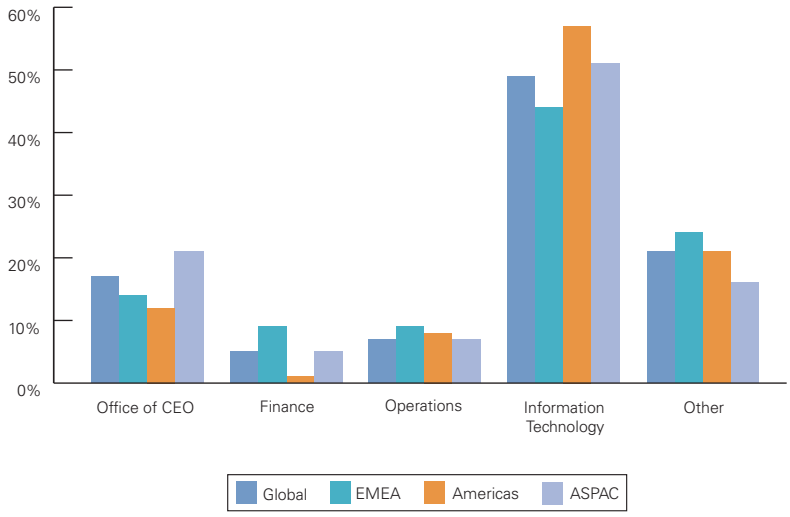
PMO ownership by region



Popular responses to increase the effectiveness of the PMO include:

- greater control over project approval
- greater appreciation for strategic value
- higher level of executive sponsorship
- improved project management capability.

Strategic PMOs could also have the potential to lead the capital allocation and prioritization process, which is typically not the domain or authority of Information Technology. Therefore, strategic PMOs need to report to the CEO or, at minimum, the CFO. In this year's survey, fewer than four percent report to the CEO and actively manage all programs.

Accountability

Without question, the greatest hindrance to PMOs realizing their potential is a lack of consistency in their publicized accountability. Twenty-two percent do not measure their PMO performance at all, and only 17 percent align their PMO assessment with the core project assessment criteria – meeting targeted benefits.

Only 17 percent of organizations align PMO success to project success.

Agreeing on necessary enhancements for PMO assessment will not be simple. However, it will cause an organization to discuss and understand most aspects of its project-delivery capability.

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Project management capability – still underdeveloped

Overwhelmingly, organizations are spending more on projects. This would flow through to investment in project management capability, correct? No.

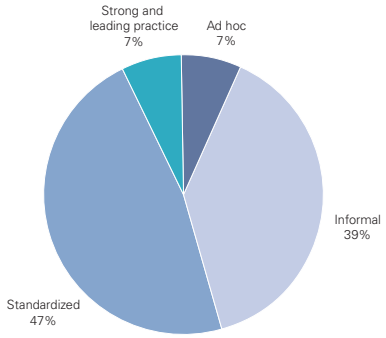
Standardized processes are common, but not dominant

Nearly half of the participants considered their project management maturity to be 'standardized'. A surprisingly high 39 percent, while acknowledging the prevalence of methodology and supporting technology available today, still considered themselves to be 'informal'.

Regardless of the maturity scale used, it logically follows that the higher maturity levels support greater project success. Further, the basis for organizational learning and improvement begins at the equivalent of 'standardized'. So if an organization wishes to deliver on its commitments, achieving such a level is essential to support the overall governance framework.

We also challenge the reported depth of some organizational processes. For example, 16 percent of organizations who had a formal methodology did not have a project review process.

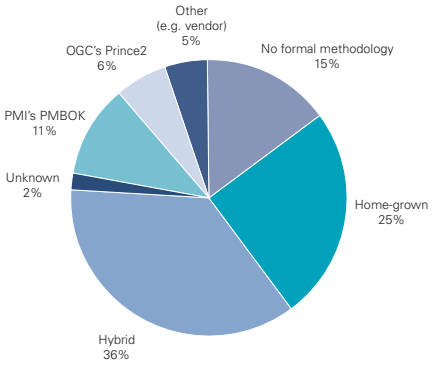
Project management maturity



When it comes to project methodologies, we are 'unique'

Organizations still prefer to have their own methodology, with 61 percent indicating they use a hybrid or home-grown model. Many comments profiled the increased influence from generally accepted methods or bodies like PMBOK[1] or PRINCE2[2] , but few accept them as the core.

Dominant project management methodology used



Tools – it's how you use them that matters

We also note there is a potential lack of technology or tools to support the governance process in many organizations. However, we also emphasize that this is only one component of the problem. Like all other packaged software implementations:

- many organizations with tools like Enterprise Project Management (EPM) suites do not have an internal program governance model to realize the tool's full potential
- buying the software is not in itself the solution – often significant business process alignment is necessary.

While having the latest-and-greatest is clearly not a requirement, evaluating existing technology forces organizations to consider many of the necessary issues around project-delivery capability.

[1] PMBOK (Project Management Body of Knowledge) Registered mark of Project Management Institute, Inc. Pennsylvania, USA.
[2] PRINCE2 (Projects in a Controlled Environment) Registered trademark of Office of Government Commerce (OGC), United Kingdom.

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About KPMG

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Risk Advisory Services

Risk Advisory Services assists clients to focus on fundamental business issues that help increase revenues, control costs, and identify and manage risks, including the risks inherent in the technology systems used to support business objectives. Risk Advisory Services also provides information to clients to help them meet their strategic and financial goals.

Information Risk Management

KPMG's Information Risk Management (IRM) practice assists organizations to identify and help manage business technology risks. IRM professionals offer a range of services aligned to an organization's business IT lifecycle to provide focused, client-specific advice across all levels of the IT spectrum. These service offerings are detailed in the table on the following page.

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Service offering	Description
IT Project Advisory	Assists organizations to develop an enterprise approach to project initiation, execution and control to achieve desired project outcomes. IT Project Advisory Services helps clients align project activity with key business strategies and identify and manage risk, change and quality as a result of project activity. Our professionals can provide executive support and assist clients to achieve enhanced organizational capability and greater project efficiency to deliver the right results.
Governance & Performance	Effective IT governance and performance helps organizations ensure that business systems deliver value to the business and that the unique risks inherent in technology are monitored in an appropriate governance framework. Our IT Audit and Advisory services include: governance; strategy; performance improvement; cost reduction; risk management benchmarking and risk framework; and due diligence.
Sourcing Risk	Advises businesses across all stages of the sourcing model including: option analysis; business case development; vendor evaluation and selection; development of service level agreements (SLAs) and risk analysis; managing and monitoring the SLA; and transitional risk management on outsourcing.
Business Systems Controls	Assists organizations to assess and verify that controls in major system implementations are enhanced, in place and operating effectively.
Security, Privacy & Continuity	Assists organizations to protect their information assets, including availability and reliability, to protect the business itself. Particular attention is provided during the phases of assessment, architecture and monitoring.
IT Attestation	Assists clients affected by business IT systems, who often need extra help to satisfy stakeholder expectations. This service offers assessments to provide comfort to customers and business partners through seals and distributable reports such as SysTrust and SAS70.
IT Internal Audit	Assists with full internal audit sourcing arrangements: co-sourcing arrangements, a standing agreement, or secondment basis. IRM works with clients to understand the risk profile of the business, determine the appropriate risk profile and help mitigate risk exposures. IT internal auditors consider both compliance and operational risks, determining if appropriate mitigation strategies exist.
IRM in External Audit	Identifies financial and operational risks embedded in business systems and processes, and provides advisory on risk mitigation. IRM professionals integrate technology issues into the framework of the audit, working as part of the audit.

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KPMG's International 2002-2003 Program Management Survey: Why keep punishing your bottom line?

The Information Systems Impacts of IFRS: Complexity behind the numbers

Asia Pacific Outsourcing Survey: Who is conducting the orchestra?

Asia Pacific Business Continuity Management Benchmarking Survey: 31, 556, 932 seconds in a year… how many can you afford to lose?

Creating Stakeholder Value in the Information Age: The Case for Information Systems Governance

Wireless Networking — Issues to consider

Security Strategies: Adopting a strategic approach to security management

Voice over IP – Decipher and decide

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