Programme Management Survey

Introduction

A total of 134 companies participated in the 2002 KPMG global programme management survey which, this year, focused on the programme office and the impact of the programme office on project performance.

Synopsis

Having analysed the data collected KPMG predicts that organisations will continue to invest in professional, well equipped and executive sponsored programme offices that will become increasingly integrated with the business while acting as catalysts, conductors and referees of change.

Respondents compared by Industry group and Country

	UK	US	Rest of World	
FS	46	10	14	70
CIM	7	12	14	33
ICE	7	7	2	16
I&G	7	8	0	15
Fig 1	67	37	30	134 Total Respondents

FS - Financial Services
CIM - Consumer Industrial Markets
ICE - Information Communications & Entertainment
I&G - Infrastructure & Government

Projects success rate compared to PO maturity

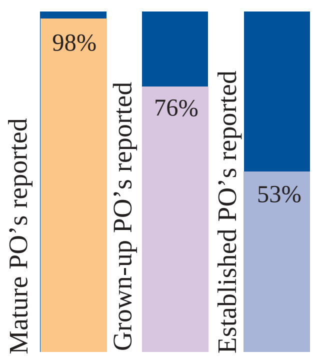

Fig 2

The 2002 KPMG survey suggests that these organisations would be right to do so and as a consequence will learn to master the art and science of managing change and significantly improve their ability to realise benefits through projects.

Survey participation

Participating companies came from a broad range of sectors, size and geographical regions. This diversity and level of participation has enabled a broad and balanced assessment of the key relationships between the status and maturity of the programme office and a company's ability to deliver value through projects. Fig1

Key findings are highlighted below and the full survey findings can be found on the KPMG web site at www.kpmg.co.uk

Key findings

The survey identified a strong positive correlation between maturity of the Programme Office (PO) and successful projects: Fig 2

Respondents said that the most important functions that should be provided by the PO are:

- Tracking and reporting
- Co-ordination
- Communication
- Standards
- Governance
- Risk management
- Portfolio management
- Business requirements planning

KPMG COMMENTARY

Highlighting the importance of strong project governance and progress reporting.

The most common functions actually provided by the PO

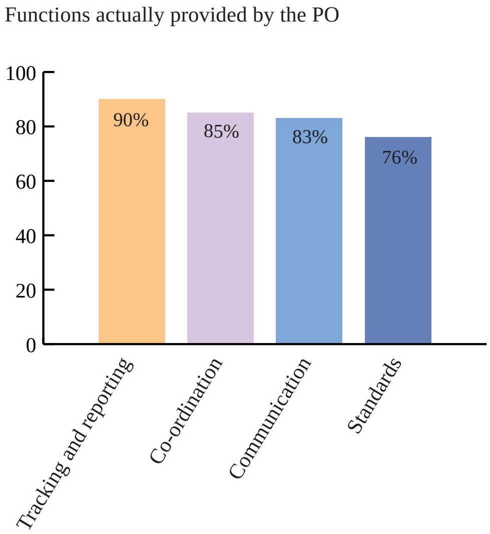

Fig 3

Other functions provided by respondent PO's included:

- Resource management
- Benefit tracking
- Strategic alignment
- Idea creation
- Methodology training

Successful/mature PO's had been in operation for eight years or more and 58 percent of mature PO's reported to the CEO compared to only 30 percent of those classed as immature.

Respondents reported that executive committees were least effective in preventing failed projects highlighting the importance of unambiguous project sponsorship.

Methodology

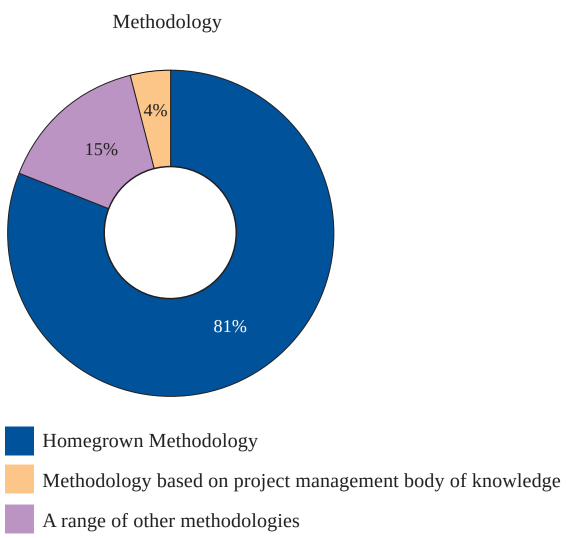

Fig 4

Respondents described the most important elements of their methodology as:

- Planning
- Business case development
- Risk analysis
- Issue management
- Business requirements definition

KPMG COMMENTARY

Emphasising the importance of early stage rigour, clarity of purpose and ongoing risk and issue management during project execution.

Compliance with policies and methodologies

PO's with stringent compliance reported a project failure rate of 20 percent whilst those with moderate and weaker compliance reported a project failure rate of 80 percent.

Compliance monitoring of policies and methodologies varied between stringent and weaker as follows:

Stringent	23%
Moderate	48%
Weak	29%

Overall 65 percent of organisations reported that they had no link between compliance and a review/reward system.

Use of tools

The most important tools used by the PO were MS Office suite, MS Project and a time recording application. Overall 70 percent of respondents use MS Project and 34 percent use web based tools.

Web based PO tools were rated more effective with 35 percent of web tool users rating their tools as highly effective compared to 13 percent of non-web based tools users.

Other tools that the PO would like to acquire included the following:

- "What-if" modelling tool
- MS Office 2002
- Rational® (product suite)
- Digital dashboard/ sophisticated reporting tool

Areas where technology tools could further improve PO performance were listed as follows:

- Quality management
- Risk and issues management
- Provide more structure, formalised process and approach
- Team communications

Perceived value of the PO to the organisation

Some 87 percent of respondents said their senior management valued the PO as integral to success or at least beneficial to the organisation. While 9 percent were sceptical and 4 percent considered the PO to be an overhead.

Project success factors

Respondents reported that the top five factors driving project success are:

- Executive sponsorship
- Thorough preparation and planning
- Good and clear requirements
- Quality assurance
- "Superhuman efforts"

> KPMG COMMENTARY
>
> The latter point emphasises the importance of team motivation, morale and commitment and the need for a strong focus on the people aspects of project management.

Other major success factors were described as follows:

- Clarity of scope
- Management of stakeholder expectations
- Project transparency and regular reporting
- Issues resolution
- Common goals
- Small controllable projects
- Teamwork and leadership
- Experienced and capable staff
- Quality control

Project failures

Over half, 56 percent, of participating companies said they had experienced failed projects within the preceding 12 months with an average failed project cost of just under £8m. The largest cost of failure of all participants was £133m.

The costs of running mature PO's averaged 2 percent of total project value managed by the PO whereas less mature PO's cost 3 percent of project value managed. On average, the PO managed 83 projects with a total project value managed of £67m.The major reasons for failure were described as:

- Lack of sponsor involvement
- Poor scope management
- Poor planning
- Over-ambitious commitment to deliver in restricted timescale
- Resource contention
- Poor communication between IT and the business
- Misalignment with strategy
- Quality of code delivered by software vendor
- Poor change management, compliance with process and lack of understanding
- "We know it all"

> KPMG COMMENTARY
>
> The strong correlation between PO effectiveness and project success and the £8m average cost of project failure indicates a strong business case for building an effective PO.

General scope

Of those organisations with PO's 49 percent managed all projects through their PO, 43 percent managed only IT projects and 8 percent managed only business initiatives.

PO's reported into a number of different functions with the most common reporting into an executive and the minority, only 3 percent, reported into finance. The variation in reporting lines is shown below:

Variation in reporting lines

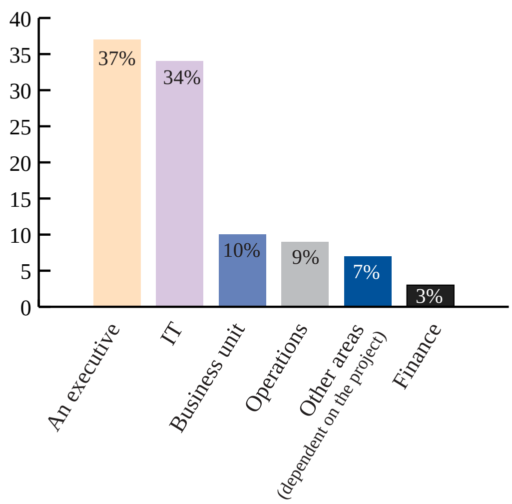

Fig 5

Overall 80 percent of PO's reported directly into business unit director level or above. The detailed variation in reporting lines is shown below:

Executive director	37%
CEO or equivalent	20%
Business unit director	23%
Lower in the organisation	20%

Number of personnel employed within the PO by organisation size (sales turnover):

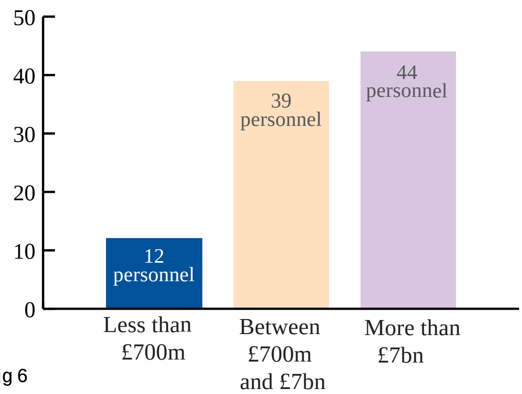

Fig 6

Organisation

Over 50 percent of respondents had a single PO within their organisation with 28 percent having between 2 and 5. Of those having one or more PO's 76 percent used a single process and 24 percent used multiple processes.

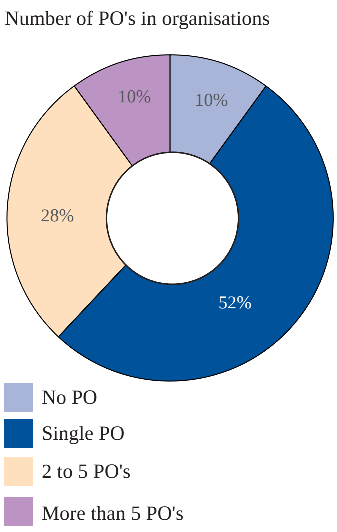

Fig 7

Programme office maturity

PO's were classified according to their success/maturity as follows:

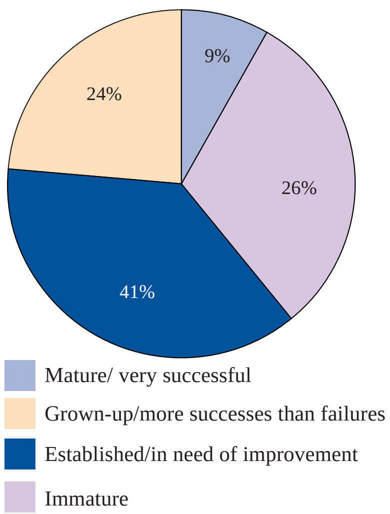

Fig 8

The most important elements of maturity were described as follows:

- Developing processes, standards, methodologies and templates
- Showing the "big picture" of all work underway
- Discipline and executive buy-in
- Profile and acceptance within the organisation and executive sponsorship
- Experienced project managers
- The right combination of skills within the PO
- Education

- PO personnel averaged 66 hours of training per year
- 48 percent had a curriculum to follow to achieve training goals
- 65 percent reported being trained in their discipline

> KPMG COMMENTARY
>
> Indicating that the role and status of the programme management function is evolving towards a central, proactive and visible business entity with high level executive sponsorship.

A total of 67 percent of respondents rated their PO in need of improvement or immature. The average period of PO operation was just under four years and 22 percent of the participating companies had PO's in operation for less than 1 year.

Some 30 percent of respondents said that funding of the PO was appropriate for the work undertaken whilst 49 percent believed funding to be adequate but not sufficient. Over a fifth of respondents claimed to be inadequately funded.

Being able to show the big picture of all work underway was seen to be an important element of maturity followed by embedding processes, standards and methodologies.

> KPMG COMMENTARY
>
> PO's are still evolving and companies are investing to establish and improve their PO's.

Training and certification

Over 75 percent of respondents said their PO was staffed by people from an IT background and 60 percent of staff had an average of five or more years of programme or project management experience. Almost 75 percent had no PMI certified employees in their PO and only 39 percent placed value on PMI certification.

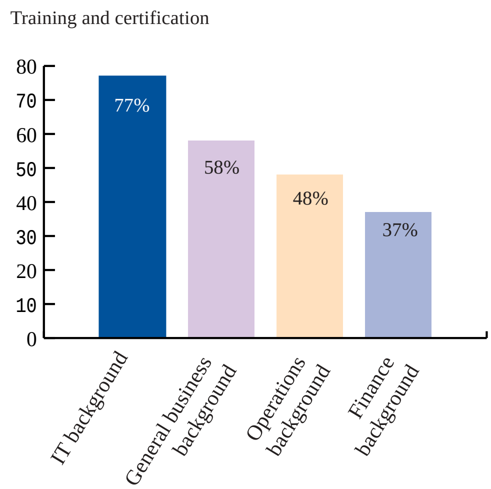

Fig 9

The level of experience of personnel within the PO varied but the most frequently occurring range of programme/ project management experience was between 5 and 10 years. Fig 10

Level of experience of personnel in PO's

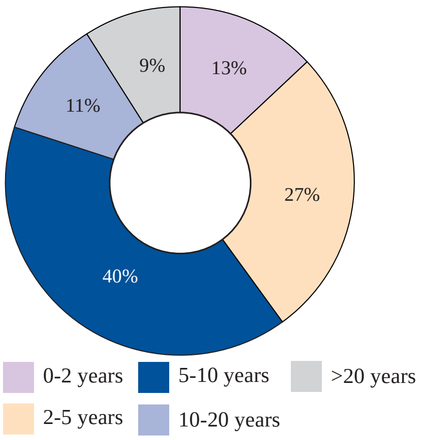

Fig 10

A range of organisations and methodologies were listed as valuable, including a number of consultancies, the Association of Project Managers and Prince2. No clear trend or preference emerged from the survey.

Results

Overall 90 percent of respondents said their most important job was tracking and reporting closely followed by communication and coordination.

Mature PO's said that benefit realisation and investment appraisal were key focus areas of their role. The most important measures of their success were:

Meeting business case requirements	46%
On-time delivery	21%
Within budget delivery	9%
Equal weighting to all three measures	24%

Portfolio management and reporting

Strategic alignment was said to be the most important factor when evaluating a portfolio of projects and that this evaluation was mainly conducted by an executive committee.

Almost 75 percent of organisations said they prepare portfolio management reports but only 44 percent compared project performance against established metrics.

Some 30 percent of respondents had no formal periodic portfolio management processes for go/hold/cancel decisions. Of the 70 percent that did have a formal process, 100 percent made go/hold/cancel decisions as part of that process.

Responsibility for go/hold/cancel decisions varied as follows:

Executive committee	51%
Business unit leadership	37%
CEO or equivalent	12%

Respondents listed the following range of portfolio decision making criteria:

Strategic alignment	79%
Commercial value	74%
Portfolio balance	48%
Internal model	31%
Social value	19%
No formal criteria	9%

KPMG COMMENTARY

Reflecting a clear trend towards strategic fit and commercial value.

Respondents also described a number of shortfalls in their reporting process and content:

- Cumbersome, project centric and not executive friendly
- Not enough integrated data for project management
- Not enough exception reporting for project problems
- Need more sophisticated financial reporting (budget vs. actual)
- Need readily available, on-line project performance data for business sponsors

KPMG COMMENTARY

This need for increased sophistication will drive increased automation and use of integrated PO tools.

Improvement areas now and future

Respondents were asked what the organisation could do now to achieve higher PO effectiveness and to list ways in which the organisation can be more successful at managing projects. The responses identified a number of common actions that would make the PO a core and pervasive part of the organisation with the appropriate resources and status to become a proactive force in relation to the management of projects. These common actions are listed below:

- Achieve greater global co-ordination over project activity
- Increase the emphasis on portfolio and investment management
- Increase the status and capability of the PO
- Achieve widespread buy-in to the PO
- Disseminate and use common standards and processes
- Increase the use of tools
- Streamline reporting and make greater use of performance metrics

Conclusion

Projects are one of the ubiquitous aspects of business management and, as reinforced by the survey, the investment in projects across all industry sectors, geographies and size groups is very significant.

Projects are the predominate vehicle for delivering the change and business improvement required to create competitive edge and enhance shareholder value. Therefore the importance of improving project delivery performance cannot be underestimated.

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