Room for Improvement

A new report on the state of project management

A recent and significant report on the current state of project management around the world has recently been released by PricewaterhouseCoopers (PwC) in Belgium.[1] With all the talk these days about project portfolio management and project management maturity levels, the report's authors, Antonio Nieto-Rodriguez and Daniel Evrard, set out to determine whether a higher maturity level would go hand in hand with a higher project performance level. According to PwC, the successful organization is one that employs project management as a strategic tool to respond to a changing environment of competitive, economic, technological, political, legal and cultural challenges. Or do they?

The report is based on data gathered via a web-based quantitative survey consisting of fifty closed questions to which 200 companies from around the world responded. These companies represented a total of 3,488 project or program managers or directors handling around 10,600 projects worth an estimated $4.5 US billion per year. The companies represented five continents but the majority was from Europe (44%) and the Americas (35%).

However, the survey did not include any face-to-face interviews nor, it seems, were the responses followed up to verify the quality of the data received. So the subjective self-assessment of "success" may be somewhat suspect. Still, in the absence of data to the contrary, some of the findings are quite remarkable.

Study framework

For purposes of the survey, the authors adopted the PwC five-level maturity structure consisting of:[2]

1. *Unreliable processes*
2. *Informal processes*
3. *Standardized processes*
4. *Monitored processes*
5. *Optimized processes*

For purposes of project performance, the authors examined four core elements, namely:

- *Processes*
  The set of systematic and organized processes that are grouped into a project management methodology and whose attributes include: standardization and institutionalization; integration with corporate processes; project prioritization; standardized project life span; use of project portfolio techniques; and a continuous improvement mentality.

- *Organizational structure*
  The way the organization is structured to accomplish its project management performance. Attributes included: resource ownership, i.e. staff and budgets; definition of clear roles and responsibilities; top management support; and the existence of a project support office.

- *People*
  The people management and team working skills throughout the hierarchy from the team member through the project manager to the project sponsor. Attributes included: project manager skills; the existence of development and training programs; a favorable organizational culture; motivation and incentives; and career opportunities.

- *Automated systems and tools*
  The extent to which the organization uses systems and tools to automate part of their project management processes in support of project manager activities on the one hand and top management decision making on the other. Attributes included: Availability of company-wide software; the software actually use; areas reported on such as program and project management, capacity management, cost tracking, and benefit realization.

From the data collected, two essential indexes were calculated for purposes of the analysis: *Maturity level* and *project management performance.* Maturity level was calculated by combining the answers to thirty-three of the survey questions. However, project management performance was computed by aggregating elements of individual performance measured as a percentage of projects delivered on time, within budget, to scope and that delivered business benefits. Presumably the issue of quality of the products was factored into the business benefits. Even so, business benefits are not always immediately measurable, may be subject to optimistic forecasting, and seem to have been treated lightly.

To aggregate these indices by industry sector, the authors chose the following groupings:
- *Consumer and Industrial Products and Service (CIPS*) which includes: Automotive, Energy, Manufacturing, Retail and Professional Services and represented by 53% of those surveyed.
- *Financial Services (FS*) representing 17%
- *Technology, Information, Communication and Entertainment* representing 16%
- *Public Sector (PS)* representing 8%, and
- *Pharmaceuticals (Pharma)* representing 6%

The criteria for these groupings are not reported and one should certainly look for similarities in the work involved. On this basis the inclusion of professional services in CIPS comes as a surprise when FS would appear more akin. Indeed, some of the findings reported suggest that it is misplaced in that the degree of projectization of these companies was much higher than the remainder.

Observations and key findings

From the data provided in the report we learn that:
- 26% of the companies surveyed run more than 100 projects yearly, but the across-the-board average is 53 projects per company per year
- The average project size is around $450,000, i.e. under half a million
- The average number of project or program managers or directors per company is 17 although 48% of them had fewer than 5
- On average each such manager runs just over three projects annually
- The main reason for the projects are to implement IT Change initiatives, e.g. package implementation, new technologies, major upgrades, or outsourcing, representing 73% of the cases

The key findings of the report are:

1. Not surprisingly, a higher project management maturity will in most cases deliver superior performance
2. The current overall maturity level is at 2.5 representing Informal Processes and is probably the main reason why so many projects are unsuccessful
3. More than half the companies surveyed (60%) were not satisfied with their current maturity level
4. Top and senior management frequently blame project managers for poor results when the causes were beyond the project manager's direct control
5. The company's organizational structure has a big influence on overall project performance
6. The optimal organizational structure is determined by the company's business objectives
7. Investing in staff development does increase project performance
8. Project management certification of staff does pay off
9. Organizations that apply "change management" outperform the rest. By change management the authors mean: communication, stakeholder engagement, concern for organizational culture, demonstration of leadership, and so on. The authors probably mean "stakeholder management" because in North America "change management" generally implies the formal processing and approval of changes to the project plan.
10. External resources add value to a project when employed in moderation, i.e. not exceeding 25%
11. Specialized project management software can create value but may be destructive in low maturity organizations
12. While reporting is an essential part of project management, it is time consuming and provides low added value

Some interesting and perhaps unexpected findings

1. A company cannot advance more than one maturity level at a time. This is because each improvement towards a higher level requires everyone, who is directly or indirectly involved in project activities, to change not only the way they work but also their mentality. That is to say a collective transformation of culture.

2. "Project failure" is still viewed mainly in terms of bad estimates, missed deadlines and the impacts of scope changes instead of to what extent the product of the project delivered benefit to the organization notwithstanding internal project performance.

3. The highest performing companies were those having a "projectized" or "strong matrix" structure because in these circumstances the project manager has significantly more influence. On the other hand, for companies with only a small number of projects, these organizational structures may be overkill.

4. In the public sector, the most widely used structure is the "weak matrix" with accompanying lower maturity level and weaker project performance.

5. Only 8% of those surveyed had a standard staff development program, with 62% reporting rarely or never! This is quite remarkable considering that project management is all about teamwork and people.

6. Only around 13% of the companies surveyed incorporate "change management" (as defined by PwC, see Key findings #9 above). The reader may be forgiven for expecting that this should be a

basic and essential part of all sound project management!

7. A level of outsourcing higher than 25% may not lead to higher project performance.

8. 21% of the companies do not use any software; the lowest group being the public sector while not unexpectedly the highest is the TICE group.

Conclusion

This is a valuable report and well worth reading in full. It is clear that there is room for a lot of improvement and opportunities for project management practitioners everywhere.

Contact details

To obtain a copy of the full report (31 pp), go to the PwC web site at http://www.pwcglobal.com/ click on Publications, then click on PwC Publication Search and do a search for "Boosting business performance". You should get the Project Management Maturity Survey 2004 listed from which you can download a PDF copy. (Accessed 11/20/04)

Alternatively, contact the authors of the survey at antonio.nieto-rodriguez@pwc.be.

[Max Wideman signature]

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[1] *Boosting Business Performance through Programme and Project Management*, PricewaterhouseCoopers (PwC), June 2004

[2] For a brief description of each level, see the PwC Report, p6