



2005 Global Programme Management Survey - A UK Perspective

How committed are you?

ADVISORY



The Big Messages

- Between one third and a half of all participants do not include some fundamental considerations in all of their business cases.
- Nearly one in three organisations do not always define financial benefits in their business cases.
- Governance processes around approval of business cases are more developed in the UK.
- The most popular definition of success today is meeting promised project benefits – in other words, keeping commitments.
- For the majority of survey participants, project success appears to equate to achieving an acceptable level of failure or reducing lost benefits.
- In only 23 percent of cases is delivery of project benefits tied to individual executive performance plans and rewards.
- Inadequate benefits management processes prevent the articulation of programme and project success and this creates a largely unquantifiable degree of benefits leakage.
- Only 2 percent of organisations claimed they achieved targeted benefits all the time in the past 12 months.
- Government and CIM participants acknowledged lower levels of benefits realised than other industries.
- Staff cynicism towards projects and hits against the top line were major impacts for UK project failures.

The golden rules – aiming to achieving value from your project investments

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.

Priorities to realise

Establish an enterprise-wide prioritisation process that objectively and continuously evaluates projects and programmes to help maximise and realise 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

Help control benefits leakage by clearly defining what value you expect to receive, how you should get it and when; then reassess regularly throughout the project.

Hold to account

Clearly define individual accountability for realising benefits including integrating proposed benefits within operational plans and budgets.

Invest in people and process

Recognise project disciplines, acknowledging the link between strategy and project execution. Develop capability, capacity and risk models to suit your organisational maturity and culture.

Introduction



KPMG's IT Advisory group is pleased to present our 2005 Global Programme Management Survey.

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

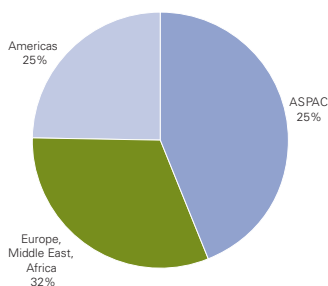
With the spotlight increasing on governance and accountability, boards and stakeholders are, more than ever, results focused.

Deploying scarce investment funds, boards, management, employees and third parties are expecting and demanding results. Organisations respond by making commitments.

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

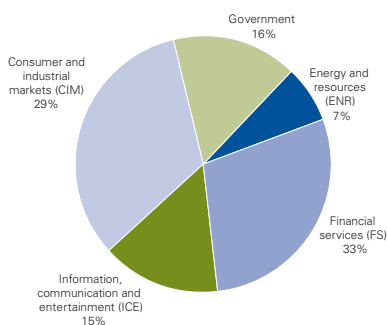
Across the globe, the Survey strongly suggests project performance is sub-standard. In other words, organisations do not appear to be delivering on their commitments. Project commitments are being sacrificed, the required value from project investments is not being achieved and consequently the discipline 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 and programme management.

Participants by region



Source: KPMG's international survey (Global IT Project Management Survey), published 2005.

Participants by industry



Source: KPMG's international survey (Global IT Programme Management Survey), published 2005.

Survey participation

More than 600 organisations in 22 countries participated in the Survey – providing a solid base of data to analyse. The Survey participants included a wide range of organisational representatives – from C-level executives, general managers and internal audit heads through to programme and project managers.

For the purposes of this Survey, global regions have been defined as Asia Pacific (ASPAC), Europe, the Middle East and Africa (EMEA) and the Americas.

The Survey population also contained participants from a variety of industries, defined as energy and natural resources (ENR); infrastructure and government markets (Government); consumer and industrial markets (CIM); financial services (FS); and information, communications and entertainment (ICE).

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

In total 63 UK organisations participated in the Survey, representing 10 percent of all participants.

Key commitments driving increased projects:

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

Increasing commitments

In the period since KPMG's 2002 Survey, KPMG has observed an increase in project activity across all sectors of the economy. In the past 12 months, there has been an increase in the:

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

The majority of organisations interviewed were unable to articulate their total project budget with an acceptable degree of confidence, precluding an accurate estimation of the total budget. However, our experience suggests that a significant proportion of organisations' funds are being invested in projects.

What is driving the demand for increased project activity?

- 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 (for example within the UK the Gershon Efficiency Agenda) have contributed to increased project activity in 24 percent of organisations.
- 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 organisations' agendas.
- Technology refreshes contributed to increased activity in 48 percent of organisations.

The Survey has identified a number of encouraging moves by businesses to keep their project commitments. However, organisations still face a number of profound challenges.

Increased focus on governance

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.

Increased profile for project management

The organisational profile of project management continues to increase.

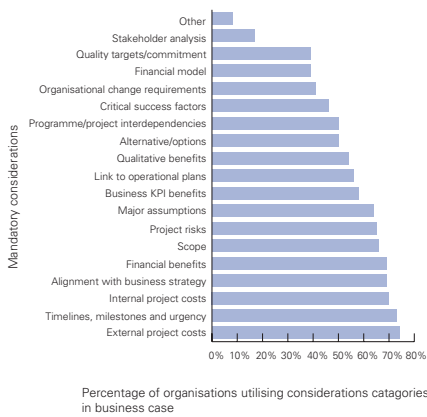
- Up to 87 percent of organisations report projects to the board, though this is highly qualified dependent on the level of investment and organisational impact.
- There is an increased number of Project Management Offices (PMOs), with 17 percent now reporting to the CEO. Within the UK this is only 10 percent.
- A significant amount of commentary during our interviews indicated a fast maturing of human resource processes to recognise the specialised project management skills required to be effective.

These trends are encouraging and, seem likely to continue to positively influence organisations' project management competencies, capabilities and successes.



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

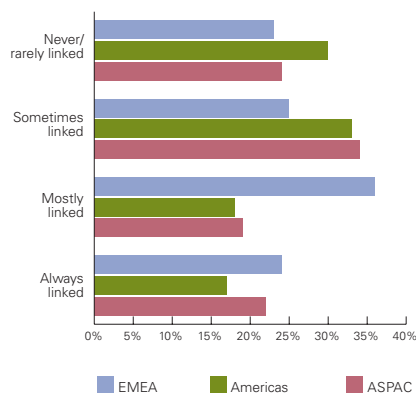
- project scope
- project risk
- key assumptions
- critical success factors



Source: KPMG's international survey (Global IT Project Management Survey), published 2005.

Cancelling is not failure, but failing to cancel is.

Project benefits linked to executive performance targets



Source: KPMG's international survey (Global IT Project Management Survey), published 2005.

Business cases – fact or fiction?

86 percent of all participants reported the existence of a formal policy or process for creating business cases. In addition, almost half of all organisations 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 organisations utilising business cases among Survey participants is indeed promising, however this does not automatically translate into quality use.

As disturbingly, 31 percent of organisations did not always define financial benefits.

The graph left indicates the percentage of organisations considering each category when developing business cases.

Business case governance

The process for approving business cases is a key governance issue. Many participants commented that legitimate project proposals are often clouded with political agendas and are not transparent regarding the ultimate objective for the organisation, individual or group.

Globally 40 percent of organisations surveyed get approval for business cases through the business unit head. It is worth noting, however, that executive/ investment committees are increasingly becoming the vehicle for approval, and are now used by 33 percent of all organisations surveyed. This trend indicates the growing recognition that many initiatives are cross-functional and require an enterprise-wide approach. Within the UK this trend is even more pronounced with 59 percent of UK participants stating such committees approved business cases.

A relatively high 42 percent of organisations claimed to independently verify business case assumptions, again within the UK participants as a whole the figure is significantly higher at 61 percent. 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.

Project governance – here today, gone tomorrow

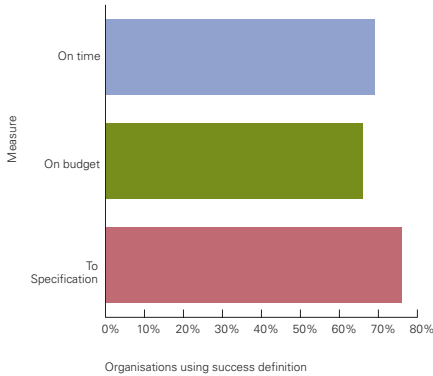
The Survey suggests executive involvement is too focused on project-approval activities, at the expense of rigorous monitoring throughout the subsequent implementation and delivery phases. Once funds are released, most organisations do not continue the same rigor through ongoing governance processes, this is evidenced by the following Survey findings:

- only 13 percent of organisations provide funding to projects following the achievement of milestones, with 61 percent still providing funding upfront in a lump sum.
- only 20 percent of organisations had any formal criteria to cancel projects or put them on hold.
- while 98 percent report to the board on projects, the degree of awareness can be challenged, 65 percent indicated boards have only limited or no awareness of project potential benefits and risks.
- lack of executive involvement remains the third most popular reason for project failure.
- within the UK over 75 percent of organisations either have no formal project review process or if there is such a process it is rarely performed.

Business owns, but business not accountable

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

Defining project success



Source: KPMG's international survey (Global IT Project Management Survey), published 2005.

Better on some measures, but not on those that count

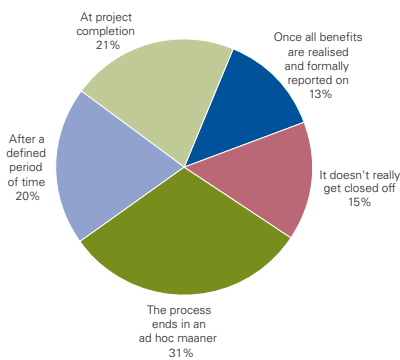
A successful programme or project equates to commitments kept.

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

Historically, project management industry surveys and research papers have focused on the easily quantifiable traditional measures of success of 'on time' and 'on budget delivery'. As illustrated on the left, this Survey suggests these two measures are still popular, but 'to specification' has now become marginally the more important.

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

When does the tracking benefits end?



Source: KPMG's international survey (Global IT Project Management Survey), published 2005.

To keep or not to keep – who would know?

The ability to accurately assess benefits delivered remains poor.

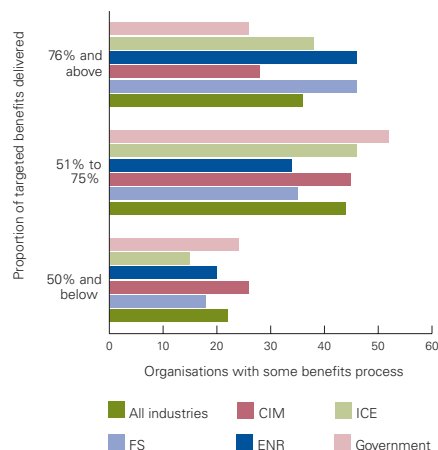
59 percent of organisations either have no, or only an informal benefits management process. Only 18 percent of those who have a formal process stringently enforce it. An interesting implication of this is that with benefits so poorly defined and/or measured, how can 86 percent of participants claim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

The necessary practice of baselining current business performance is low with only 27 percent reporting they always baseline. This must by definition create challenges in defining with accuracy what the expected benefits should 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 of organisations track potential benefits until they are realised and formally reported on, with 31 percent indicating that tracking ends in an ad-hoc manner.

Proportion of targeted benefits delivered



Source: KPMG's international survey (Global IT Project Management Survey), published 2005.

Stop, or at least slow, the benefits leakage

A 'benefits-driven' measure of project success should mean greater accountability and raised expectations at every stage of the project lifecycle. It requires increased project governance from scrutiny over the business case, through to enhanced processes during and post-project completion. Without a rigorous approach to benefits tracking, organisations seriously risk benefits leakage.

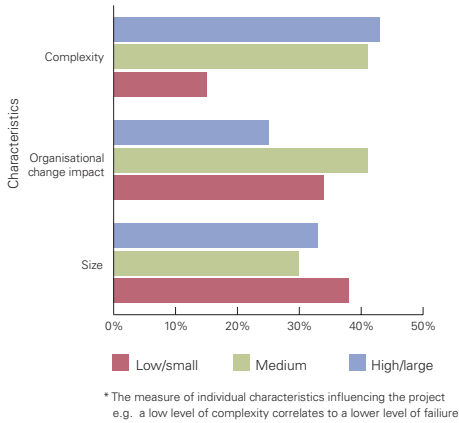
With this focus it is unsurprising that only 2 percent of organisations claimed they achieved targeted benefits all the time in the past 12 months.

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

Government and CIM participants acknowledged lower levels of benefits realised than other industries.

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

Extent to which project characteristics contribute to failure



Source: KPMG's international survey (Global IT Project Management Survey), published 2005.

Over the last 12 months, 49 percent of Survey participants have experienced at least one project failure. This is a modest improvement from KPMG's 2002 Survey where 57 percent had experienced at least one project failure over the prior year.

The price of failure

Why do projects fail? When asked their definition of failure, many organisations suggested it centred on timeframe and cost overruns. The three main reasons for failure identified by organisations were:

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

Beyond the money and loss of targeted benefits, the most common 'intangible' impact of project failure globally was staff cynicism and negative cultural impacts (63 percent). Interestingly within the UK over 90 percent of participants experiencing project failure cited this as a major impact of failure.

The table left illustrates how the following project characteristics: complexity, organizational change impact, duration and size influence the rate of project failure.

Complexity increases	Not surprisingly, projects with greater complexity had higher failure rates. Eighty-three percent of interviewees indicated that projects with higher 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 (less than one 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 (greater than two 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 top line gets punished as well

KPMG's 2002 Survey carried the theme 'Why keep punishing the bottom line?' Our findings then illustrated an average heavy financial loss at the bottom line through budget overruns on failed projects. The evolution of success criteria from a cost-focus to benefits-focus, as is evidenced by the 2005 Survey findings, has highlighted the high impact on customers and therefore the top line.

43 percent of participants indicated their project failures directly impact the customer. Survey participants represented this as decreased customer satisfaction or loss of competitive advantage. Within the UK this percentage rose to in excess of 60 percent.

Boards and management should therefore be asking themselves, What then is the on-going financial impact of this top-line punishment?

Current practice overview

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

The PMO function today

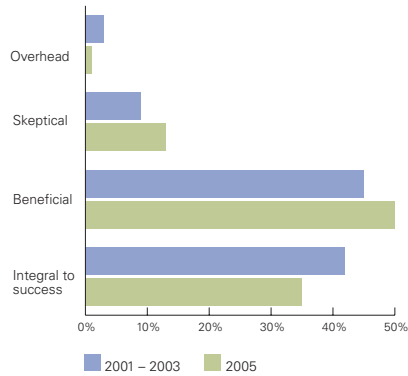
Whilst overall since the 2002 Survey the number of PMOs has increased, the life of the formal PMO appears stop-start, with a fairly even distribution of PMO ages among our participants. Within the UK the percentage of organisations having at least one PMO is only 33 percent, globally the number stand at 55 percent.

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 Survey, the older PMOs generally:

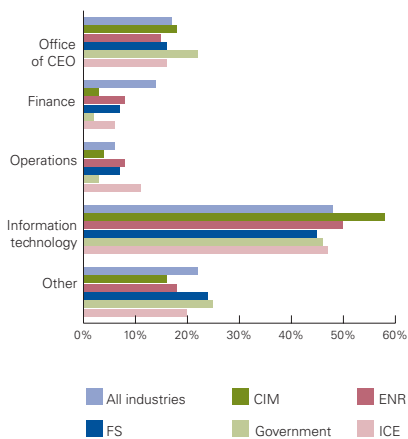
- experienced a higher success rate than younger ones
- self-rated at a higher overall project management maturity rating.

Perceived value of the PMO



Source: KPMG's international survey (Global IT Project Management Survey), published 2005.

PMO ownership by industry



Source: KPMG's international survey (Global IT Project Management Survey), published 2005.

But perception has not improved

While the overall view remains positive, the perceived value of the PMO by executives surveyed has not improved in the past few years. This could be attributed to the rarity of the Enterprise PMO – PMOs while effective, do not act as a strategic vehicle for pushing project governance through the organisation's entire project portfolio.

Organisations 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.

Realising PMO 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 Survey which was 36 percent. The proportions, either viewed by region or industry, are approximately the same.

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 prioritisation process, which is typically not the domain or authority of Information Technology. Therefore, strategic PMOs should, in our opinion, 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 programmes.

Conclusion

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, still only a minority of organisations invest in project management capability development.

Increased success, or less failure, can be achieved by adopting a range of good individual practices, including benefits realisation measures. However, a collective and systematic approach is required to substantially increase your success rate and help to reduce the loss of benefits.

Ultimately, integrated governance is, in our opinion the key to significant and sustainable success and delivering your commitments.

The golden rules – aiming to achieving value from your project investments

We summarise our collective thoughts regarding key practices for extracting value from your project and programme investments. These key practices should be considered at an organisational rather than a project or programme level as most involve changes to the way that organisations view and oversee.

<p>Governance to achieve</p> <p>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.</p> <p>The framework should enable informed decisions to be made using a consistent approach. The governance framework influences each project and programme and includes consolidated performance reporting which is delivered to the executive.</p>	<p>Priorities to realise</p> <p>Establish an enterprise-wide prioritisation process that objectively and continuously evaluates projects and programmes to help maximise and realise the value from investment.</p> <p>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. 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.</p>	<p>Align and adjust</p> <p>Aim to ensure all initiatives are clearly aligned with business strategy, and where appropriate, adjust to maintain alignment (or reinvest funds elsewhere).</p> <p>Forcing projects to justify how they will contribute to the achievement of business goals can enhance business alignment, Directs funds towards essential projects and enable more effective prioritisation between projects. Project demand often outstrips project supply, so this mechanism enables objective investment assessments.</p>
<p>Safeguard value</p> <p>Help control benefits leakage by clearly defining what value you expect to receive, how you should get it and when; then reassess regularly throughout the project.</p> <p>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 and programme discipline, the requirement to develop a benefits management plan. This plan should define the what, when, who and how of project and programme benefits.</p>	<p>Hold to account</p> <p>Clearly define individual accountability for realising benefits including integrating proposed benefits within operational plans and budgets.</p> <p>Communicate clearly, as part of the business case/funding phase, who is accountable for delivering value from project and programme investments. Define how this will be measured, carefully scrutinise the planned benefits and have operational management who will be impacted by the project also sign off on the proposed benefits.</p>	<p>Invest in people and process</p> <p>Recognise project disciplines, acknowledging the link between strategy and project execution. Develop capability, capacity and risk models to suit your organisational maturity and culture.</p> <p>Compare the volume and complexity of project activity within your organisation with the capability and skill set required by your organisation to deliver. Recognise project management as a core competency and develop competency frameworks, together with supporting project and programme management support and infrastructure, to raise your organisation’s ability to deliver value from project and programme investments.</p>

For further information on the issues raised in the survey, to obtain copies of the full survey report or to discuss programme and project management, please contact:

Chris Gumn

Partner in Charge of KPMG's IT
Project Advisory practice
0121 335 2364
chris.gumn@kpmg.co.uk

Keith Bannister

Partner, KPMG's IT Advisory practice
Infrastructure and Government
0207 311 6558
keith.bannister@kpmg.co.uk

Mike Elysee

Partner, KPMG's IT Advisory practice
Financial Sector
0207 311 5429
mike.elysee@kpmg.co.uk

Gerry Penfold

Partner, KPMG's IT Advisory practice
CIM, ICE and ENR
0207 311 8489
gerry.penfold@kpmg.co.uk

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