The state of play in project management

AIPM and KPMG Australian Project Management Survey 2018

November 2018

KPMG.com.au
AIPM.com.au
The era of project management

Today, more than ever, we are witnessing the use of project management to drive business prosperity, deliver strategic investments into public infrastructure, and introduce new products and services to market.

The Australian Institute of Project Management (AIPM) and KPMG share a common purpose to help Australian organisations – both public and private – to deliver these projects effectively.

We believe improving our national capability to effectively deliver significant and complex projects is of critical importance to driving Australia forward.

It will be our intention to run this survey regularly in order to establish a longitudinal view of changing practices, attitudes and performance of projects in the Australian environment.
Contents

4 About the survey
5 Introduction
6 Survey findings
9 Use of tools
10 Improving PM Skills
11 The Project Management Office and portfolio management structures
14 The sponsorship dilemma
15 The traits of success
16 Interpreting the results
17 Steps towards improvement
18 Appendix
About the survey

The AIPM and KPMG Australian Project Management Survey 2018 is a collaborative effort to establish quantifiable performance indicators.

Conducted in August 2018, the survey was open to all current and past members of the AIPM, along with a group of KPMG clients who have leadership roles in the delivery of projects and programs.

The purpose of the survey is to explore current trends in project delivery in Australia. We hope the insights provided can help progress the effectiveness of project delivery in Australia.
The modern practices of project and program management have been with the business community for several decades. They have been enhanced, improved, and newer versions of the practices have been introduced.

Anecdotally, in Australia, we have continued to hear stories of poor project delivery and continued challenges to deliver important strategic projects. However, there has been a paucity of formal, factual data on the state of play in project management.

AIPM and KPMG have endeavoured to address this gap through a collaborative research survey. The survey results represent the collective opinions and observations of project practitioners at the coalface of delivery, and provide insights into what is working, and what is not, in the project management market.

We believe there is a significant opportunity for organisations and project delivery practitioners to learn from the findings of this survey to enhance strategic project success and deliver better business performance outcomes.
Survey findings

The following pages highlight the key survey findings, and provide the basis for observations on where action is needed to enhance the success of project delivery in Australia in 2018 and into the future.
There is a significant amount of project activity underway in Australia

Top reasons for starting projects

- 9% To refresh infrastructure
- 10% Compliance or regulatory
- 10% To support organisational change
- 10% To introduce new products or services
- 15% To develop new infrastructure
- 19% To grow revenue

We are in the midst of an era of project management with significant project activity underway in Australia. 32% of organisations reported delivered over 100 projects in the past year alone. The underpinning reasons for the commencement of projects varies, with project management techniques and disciplines being applied for an increasingly wide range of activities.

Infrastructure and facilities continues to be the dominant project type, with business improvement and information technology being the other key project types.

Given this context of reliance on project management disciplines, it is critical that we see positive outcomes from this space.
Performance results

45% Of organisations completed more than 50 projects in the last year

62% Of organisations manage their projects within a portfolio structure

26% Of organisations feel their organisational change management capabilities are very or extremely effective

30% Of organisations are likely to deliver projects that are on time

39% Of organisations regularly track variations to project benefits

23% Of organisations deliver successful projects, at least most of the time

30% Of organisations disestablished a centralised PMO in the past two years

47% Of organisations are likely to deliver projects that meet original goal and business intent

49% Of organisations use a centralised or enterprise PMO to coordinate projects

50% Of organisations feel that project success rates, in relation to achieving benefits, have improved over the past two years

45% Of organisations are likely to deliver projects with stakeholders’ satisfaction

36% Of organisations are likely to deliver projects that are on budget

See appendix for Australian comparison to New Zealand results
Use of tools

The apparent failure to establish and monitor clear success criteria for project outcomes challenges organisational leadership and undermines the logic underpinning critical investment decisions.

The use of recognised project management tools and techniques is widespread.

Almost all participants reported that a variety of formal project management practices are in operation in their organisations, with many using more than one accepted method. Fifty percent are using an approach founded on the PMBoK approach. AgilePM techniques are in application in 24%.

However, while the establishment of project management tools is widespread, it seems the underpinning disciplines are not being consistently applied. Only 36% of organisations reported that project managers consistently apply a risk management methodology throughout the life cycle of the project, and only 62% reported that recovery actions to address time and cost variations are identified and implemented.

Of the organisations with established project management offices, 72% reported using project management software to manage and control the delivery of projects, with 44% of these organisations reporting that the use of this software is mature and contributing to operational efficiency and analysis.

The complementary discipline of change management is recognised as an important support tool to project delivery, with 68% including change management capability as part of project establishment. However, only 26% rated their change management capability as being very or extremely effective.

Project benefit tracking variations are reported regularly

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sometimes or never</td>
<td>61%</td>
</tr>
<tr>
<td>Often</td>
<td>21%</td>
</tr>
<tr>
<td>Always</td>
<td>18%</td>
</tr>
</tbody>
</table>

Measurable critical success criteria are defined at the outset of projects

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sometimes or never</td>
<td>32%</td>
</tr>
<tr>
<td>Always</td>
<td>40%</td>
</tr>
<tr>
<td>Sometimes or never</td>
<td>28%</td>
</tr>
<tr>
<td>Always</td>
<td>32%</td>
</tr>
</tbody>
</table>
The increasing complexity and use of project management suggests the importance of developing skills is critical.

However, perhaps counterintuitively, only 49% of organisations have formal project management skills review processes in place, only 30% have a formal organisational development program for project managers, and only 15% have a defined project management career path.

However, one of the key differentials of organisations that deliver successful projects is that they have formal processes in place. They are more likely to have formal processes around knowledge transfer (as well as informal processes), project management practices and competency.

Sixty-six percent of the successful projects group have a formal review process for project managers, and 43% of this group have a formal organisational development program.

Wider business skills within the organisation are the top skills reported as lacking in project management professionals. Particularly around leading change, contract negotiation and delegating authority effectively.

The skills most lacking in your organisation’s project management professionals are not technical project management skills, but rather the wider business skills necessary to navigate complex organizational dynamics.
The Project Management Office (PMO) and portfolio management structures

The use of centralised PMOs to coordinate projects is widespread with 49% of organisations utilising a PMO.

The top three reasons organisations introduced PMOs were to prioritise investment, to align and adjust to business strategy (56%), to improve governance (41%), and to hold people to account for investment decisions (38%).

It’s an old joke that the O in PMO stands for Overhead. Disturbingly, despite the widespread use of centralised PMOs, the jury is still out as to their value. Sixty percent of organisations are on the fence about whether their PMOs are effective, and 6% rate them as not at all effective.

Indeed, 30% of organisations reported having disestablished a PMO in the last 2 years. Key reasons for disestablishing PMOs are because of perceived overhead, and process inefficiencies due to different business units not being joined up.

Conversely, PMOs are more prominent in organisations with successful projects and they are considered more effective. Fifty-seven percent of these organisations have a centralised PMO coordinating project delivery, and 67% of these rate their PMO as very or extremely effective.

Amongst this successful group, the key purposes of the PMO are rated as significantly different to the total population with the successful group focusing on:

- Engaging senior management with key risks and issues;
- Safeguarding value by supporting the business case process; and
- Ensuring complete, timely and accurate data is collected to enable quality decision making.

The bias of the PMOs in the successful projects group is clearly towards activities that relate to engaging and supporting the senior leadership and implementation of strategy, rather than project management process control and reporting.

49%
Of organisations use a centralised PMO to coordinate projects

30%
Of organisations have disestablished a centralised PMO in the past two years

33%
Of organisations rate their centralised PMO’s ability to support and effect change at very or extremely effective
Portfolio management practices to manage projects across an organisation are widely used with 62% of organisations using these approaches.

There are a number of facets to portfolio management, and it is interesting and relevant to understand where organisations are placing priority in their portfolio management practices, and how effective they are.

Interestingly, portfolio management practices are even more commonly applied in the successful projects group (68%). There are some strong areas of difference in the key portfolio focus areas of the successful projects group to the overall group.

Tellingly, the successful projects group is 17% more likely to have formal processes to review portfolio outcomes with organisational strategies (66% versus 51%).
The sponsorship dilemma

The role of the sponsor and steering committee in governing project and program management activities is becoming increasingly critical as projects become more complex in nature.

The numbers are clear: organisations that consistently deliver successful projects are more likely to engage sponsors in projects, and have processes in place to support and train them.

Taking a closer look at the numbers reveals a number of actions are being taken to engage and support the sponsor and steering committee by those organisations in the successful projects group in comparison to the broader pool.

The key action areas are:

- Creation of an accountability statement (30% vs 26%)
- Providing formal training on roles and responsibilities (21% vs 13%)
- Establishing formal processes to support (60% vs 42%)
- Holding sponsors accountable through organisational reviews (36% vs 27%).

55% Of organisations have actively engaged sponsors

74% Of organisations in the successful projects group have actively engaged sponsors.

35% Of organisations have very or extremely effective project and program governance practices.
The traits of success

Of all the organisations that participated in the survey, there was one group that were of particular interest to us – the 23% that successfully delivered projects most of the time.

It is worth reflecting on what characteristics these organisations displayed that were different to the general population. These success stories signpost a pathway forward.

What we found when we investigated these organisations a little deeper was:

• They typically have an enterprise PMO over-sighting project delivery;

• Most have an emphasis on the PM career pathway and PM skills development;

• They are much more likely to have formal benefits management processes in place; and

• Project sponsors and leadership are actively engaged in the delivery of projects.

67% of delivery co-ordinated by a centralised PMO

60% have formal benefits measurement processes in place at project and/or enterprise level

66% have formal review and development processes for PMs

74% have actively engaged project sponsors
Interpreting the results

Project and program management is a critical capability for high performance organisations striving to adapt and keep ahead of the curve in our complex and dynamic business environment. Project management is increasingly being used to deliver strategic outcomes and, as such, it is important that organisations set their portfolio of projects up for success. The survey feedback indicates five main areas of focus that should be applied to enhance project effectiveness today.

**Focus Areas**

1. **Project and program management are critical enablers for delivering strategic outcomes for organisations.**
   The skills and disciplines of project management are being used to tackle a widening set of business challenges. Ultimately, project delivery is essential for the modern organisation as a tool for delivering strategic change and driving bottom line revenue growth. Organisations need to invest in furthering their bottom up portfolio management capabilities to ensure the project portfolio can react appropriately to changing strategic priorities while maintaining a focus on delivering measurable business benefits from the project investments. The survey results revealing a lack of discipline in tracking and measuring project benefits are, in this light, disturbing.

2. **The development of successful project managers requires more than training and certification in technical project management.**
   In a world of complex projects that require increasing levels of community, customer and stakeholder engagement, the skills for successful project managers must be increasingly enhanced regarding wider business engagement. The disciplines of change management, agile management and project management are blurring and merging, and the skills of project managers need to develop accordingly. The role of project manager needs to evolve to be responsible for delivery of the strategic business value underpinning the project, and not just a set of defined project deliverables. This means responsibility for how the project outcomes are implemented and how they result in the desired business change.

3. **The heat needs to be turned up on the role of project sponsors and the steering committee.**
   The evidence is clear that engaged senior stakeholders have a significant positive impact of the likelihood of project success. Organisations naturally want to see positive returns on project investments so we should see increasing focus on efforts to educate and professionalise the role of project sponsors and the steering committee. This should extend to improving the disciplines associated with portfolio decision making and governance, particularly in the areas of defining and monitoring the realisation of project benefits.

4. **Accidental project managers are not the right solution for managing important investments.**
   Too often we hear stories of project management selection being simply a question of who's available, rather than finding the right professional project manager with the skills required commensurate with the task at hand. We see the solution being in two parts, with the first being to introduce the core skills of project management into institutional development programs, while simultaneously developing career pathways for people who aim to become professional project and program managers.
Steps towards improvement

Improving the figure of 23% of projects and programs delivering to full success is a challenge to the project management community in Australia. The potential results in terms of organisational effectiveness and community benefits is significant. To turn these performance results around requires:

- Organisations to improve portfolio management practices, particularly in the area of defining project benefits and tracking benefits realisation through the complete project life-cycle.

- Committing to development of project sponsors and steering committee members to educate and hold them accountable to their roles, to ensure investments in projects remain aligned to the strategic outcomes required by organisations.

- Organisations to take a more strategic approach to project management career pathways, and invest in developing both core project management skills and professional project managers.

- Project managers to seek to develop their skills beyond technical capability, and into the important general management skills required to be effective in an environment of increasing project complexity.

- Ensure organisational change management capability is integrated with project delivery capability. This is necessary to ensure the delivery of project outcomes is managed in close synchronisation with related change activities.
Australia and New Zealand Comparative Results

- **On-time**: 30% (Australia) vs 31% (New Zealand)
- **On-budget**: 29% (Australia) vs 36% (New Zealand)
- **With stakeholders satisfaction**: 34% (Australia) vs 45% (New Zealand)
- **Met original goal and business intent**: 33% (Australia) vs 47% (New Zealand)
The information contained in this document is of a general nature and is not intended to address the objectives, financial situation or needs of any particular individual or entity. It is provided for information purposes only and does not constitute, nor should it be regarded in any manner whatsoever, as advice and is not intended to influence a person in making a decision, including, if applicable, in relation to any financial product or an interest in a financial product. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

To the extent permissible by law, KPMG and its associated entities shall not be liable for any errors, omissions, defects or misrepresentations in the information or for any loss or damage suffered by persons who use or rely on such information (including for reasons of negligence, negligent misstatement or otherwise).

© 2018 KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International. Liability limited by a scheme approved under Professional Standards Legislation.

November 2018. 5117953MC