



# Driving business performance

Project Management Survey 2017



2017

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# FUELLING PROSPERITY

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**We passionately believe that the flow-on effect from focusing on helping fuel the prosperity of our clients significantly contributes to ensuring that our communities, and ultimately our country and all New Zealanders, will enjoy a more prosperous future.**

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At KPMG we are all immensely proud of the contribution we make to the future prosperity of New Zealand. This passion and pride is manifested in the approach with which we undertake all our work. With KPMG you can be assured of engaging with a team of dedicated professionals who have a wide range of specialist expertise and knowledge, specifically tailored, to help make your organisation the success you dream it to be. This commitment reflects our passion and belief that together New Zealand can maximise its potential, and that by helping inspire a market full of successful enterprises, we will in turn inspire a country of which we can be more proud.



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**practices and methodologies**

**highly dynamic and competitive environments**

**drive better business performance across New Zealand**



# Introduction

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As sports go, performance car racing is unquestionably one of the most complex, **highly dynamic and competitive environments** you will ever encounter outside of the business world.

It's as much an innovation and technology race as it is about driving, and as such, the **practices and methodologies** that are delivering the performance improvements on the track are now being successfully applied in the corporate world.

We believe there's an opportunity for project management practitioners to learn from these practices and **drive better business performance across New Zealand.**

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# The start line

A person wearing an orange high-visibility shirt is holding a green flag on a dark asphalt track. The flag is waving in the air. A white line is visible on the track surface. The background is a blurred view of the track and some structures.

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**KPMG's Advisory Group is pleased to launch our 2017 New Zealand Project Management report; Driving Business Performance, which we believe can make a significant contribution to local project management research and the understanding of 'good practice'.**

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This report is based on KPMG's Project Management Survey 2017 (the survey) and combines insights and trends from across New Zealand with detailed analysis by our experienced project management practitioners. It also draws on experiences from businesses who are delivering on the challenge of improving their project and programme performance.

We see organisations responding to a challenging economic environment, by deploying scarce investment funds in pursuit of competitive advantage. These change initiatives, which are delivered through executing projects, represent significant investments for the organisations concerned. For this reason, we believe passionately that the performance and competitiveness of New Zealand public and private sectors depends on our ability to execute projects effectively, and deliver the expected outcomes and return on investment.

Worryingly, though, our experience and research continues to demonstrate that organisations are failing to consistently deliver these commitments successfully. The required value from project investments is still not being achieved, and consequently the disciplines of governance, project and programme management and financial management should once again be put under the spotlight.

Performance racing is not just about what happens on the track. Months of planning, designing, and testing occur beforehand to enable a race team deliver podium results. The racing driver is also not alone, they are supported by teams of engineers, designers, technicians and pit crews to enable them to drive their best race on the day.

There are many similarities between performance racing teams and high performing project organisations and our survey looks into these practices to see how we too can deliver podium worthy projects.

Building on the results from our ground-breaking 2010 and 2013 surveys, this survey identifies a number of practices that are helping New Zealand organisations to extract more value from their project investments, and to do so more reliably.

We believe that our report provides a timely 'wake-up call' to New Zealand organisations, demonstrating that effective project management is a critical competitive differentiator.

### **Acknowledgements**

This survey is a result of an investment of time and intellectual property on behalf of our valued clients and the broader project management community. 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 benefit of New Zealand.

### **Background**

KPMG's Project Management Survey 2017 is the third survey of this kind. The survey explores current trends in programme and project management and provides views on the challenges the project management community faces.

KPMG conducted the nationwide research in January and February 2017, using a 29 question online survey. A team of researchers from TRA, an independent insight agency recorded and analysed answers to multiple-choice and open-response questions.

This year 188 respondents participated in the survey, providing a solid base of data to analyse.

To provide a number of different lenses to the survey, we invited not only project management professionals but also senior executives and business representatives involved in the high-level management or governance of projects with a view on portfolios, programmes and projects.

Some of the key topics we examined included:

- ▶ Project management offices.
- ▶ Effectiveness of portfolio management practices.
- ▶ Governance and leadership.
- ▶ Benefits realisation.

# Track results



40%

of organisations completed more than 30 projects.



56%

of organisations use a Project Management Office to coordinate projects, a drop of 4% on previous years.



61%

of organisations feel that project success rates have improved over the last two years, despite consistent project failure rates.



60%

of organisations manage their projects within a portfolio structure, this is an increase of 4% on previous years.



80%

of organisations are using more than one project management methodology. PRINCE2 is the most commonly used guidance.



21%

of projects are consistently delivering on their benefits.



Leading change and effective communication are among the top skills lacking for project management professionals.

In the next section we will discuss what we see are the main trends for 2017 and beyond.



29%

of projects do not undertake change management activities and of those that do, only 3% are seen as being extremely effective.



↑ Increase on previous survey

31%

of organisations are likely to deliver projects on **time**.



↓ Decrease on previous survey

29%

of organisations are likely to deliver projects on **budget**.



25%

of Project Management Offices are extremely effective in supporting change in organisations.



↓ Decrease on previous survey

33%

of organisations deliver projects that are likely to meet original goals or business objectives



⊞ Equal with previous survey

34%

of organisations deliver projects that are likely to achieve stakeholder satisfaction.

# Keeping ahead of the field

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**Organisations are being challenged to stay in pole position in an interconnected, fast-moving world. The number of projects is growing, as is their complexity. We are seeing ever larger, more complex projects, as organisations wrestle with the impact of complexity, digital disruption, and increasing interconnectedness.**

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Portfolio, programme and project management are becoming increasingly important, as high-performing organisations recognise that portfolio management is about more than just prioritisation; it is the end point of a competitive strategy where executives identify and co-ordinate the programmes and projects that will turn their intentions into reality.

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## 01.

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### **Portfolio, programme and project management will become increasingly important.**

In the coming year we will see project management take a big step closer to business strategy. As business leaders continue to adapt to the increasing volatility and velocity of markets, they are getting better at connecting the dots between strategy and execution. As more organisations strengthen the links between strategy and execution, the disciplines of portfolio, programme and project management can only benefit. Consequently, as a discipline that bridges the gap, project management professionals will need to step up to the plate in the coming year.

Keeping existing projects aligned with current business objectives will increasingly require a bottom-up approach. Project Portfolio Management (PPM) has taken big strides forward over the past few years as organisations have had to carefully prioritise their projects and resources. PPM processes rely on a top-down approach where portfolio decisions are made at the executive level and then permeate down to project selection and funding.

The problem occurs when the strategy shifts, as it often does, and the existing project portfolio does not follow. To correct this misalignment, organisations must work to build a bottom-up process that continually links project outcomes with organisational strategy. Project teams need to take responsibility for delivering business value or risk delivering meaningless project outcomes.

Overseas, it is increasingly recognised that high-performing PMOs are not only impacting positively on project management performance, but are boosting organisational performance as a whole. Globally, the Project Management Office (PMO) is on the rise; however it is not the same in New Zealand where we continue to see a decline in the number of organisations using PMOs to support the delivery of projects.

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## 02.

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### **The disciplines of change management and project management will continue to merge.**

Inherently projects are about change. No project has 'steady-state' as its goal, yet historically change management and project management have failed to come together well. Projects have been entirely about delivering project outcomes on time and on budget. This perspective has, for the most part, entirely ignored the underlying purpose behind any project – to move the business forward. Most people would tell you that a good project manager has strong business acumen, and is very capable of challenging project deliverables that seem misaligned to project objectives. But why stop there? Why not expect project managers to deliver business value as a direct result of the project? This means taking responsibility for not only what a project delivers, but also how those deliverables are implemented and how they impact the business. To achieve that level of integration requires change management to be included as a project requirement and the business impact to be stated as a deliverable.

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## 03.

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### **Talent management will make gains as a key focus for project organisations.**

Talent management will make gains as a key focus for project organisations. Organisations that successfully align their talent strategy to organisational strategy have a higher success rate than those not aligned, and consequently risk fewer project dollars. That might sound like common sense, but more often than not organisations get it wrong. For many, the default practices of hiring only for the immediate need, outsourcing whenever possible, not providing career paths, and developing talent later are starting to take their toll. In 2017, the pendulum needs to swing back toward a more strategic approach to talent management for the project community.

The cost of senior project talent continues to increase as demand rises and the availability of seasoned professionals dwindles. Emerging technologies, organisational transformation, and rising globalisation continue to generate increasing numbers of projects. Since these trends appear to be accelerating, it seems obvious that the demand for projects and the people who manage them is not going to level off anytime soon. According to the Project Management Institute (PMI), senior project managers are retiring at an increasing rate with over 60 percent of PMI members now over the age of 40. An existing shortage of supply, an aging workforce, reduced training provision and a growing demand for projects all add up to a serious problem for organisations not actively developing a bench of talent.



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## 04.

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### **New, innovative business models and technologies will force project managers to adapt.**

With many industries undergoing rapid changes, project management methods that allow for accelerated development and rapid learning will become critical to serving the business. Organisations will look to technology-based solutions to bring products and services to the market and to accelerate data capture and data mining. Existing project management methods will struggle to provide the vehicle for efficient project delivery. Agile methodologies will continue to grow in importance and even more project communities will struggle with hybrid project teams.

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## Call-to-action

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To turn New Zealand project performance results around and to strengthen the links between strategy and execution project management, professionals and organisations need to:

- › Strengthen their portfolio management practices and build bottom-up processes that continually link project outcomes with organisational strategy.
- › Take responsibility and ownership for delivering business value or risk delivering meaningless project outcomes.
- › Take a more strategic approach to talent management providing for the future by creating project management career paths, and developing their talent to ensure project delivery capabilities do not impact on the outcomes from strategic initiatives.
- › Increase the capability of PMOs to support the delivery of projects.
- › Ensure project managers have the skills and capabilities to adapt to new business models and technologies.
- › Ensure change management is integrated with project management activities to ensure successful delivery of planned business outcomes.

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The rest of this document explores these trends in greater detail and provides our recommendations for success.

# High speed and tight handling





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## The ongoing failure to consistently demonstrate value from project and programme delivery highlights the importance of making the right project investment decisions.

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Just as in business, a motor race rarely goes to plan. The running order changes by the second, the safety car can appear unexpectedly, pit stops don't always go smoothly, there are crashes, mechanical failures, retirements, driver errors... the list goes on. Being able to generate responses to all of these variables and devise a responsive strategy is key to winning.

Racing teams' have long had the ability to monitor and collect the data that is important to the performance of the racing cars. Each car carries hundreds of sensors which continuously monitor and transmit various performance metrics e.g. fuel consumption, rate of tyre degradation and weather.

It is the rigorous analysis of this data that underpins every decision made during the race. This is vital if you subscribe to the idea that: 'if you can monitor and measure something, you can manage it, and if you can manage it, you can improve it'.

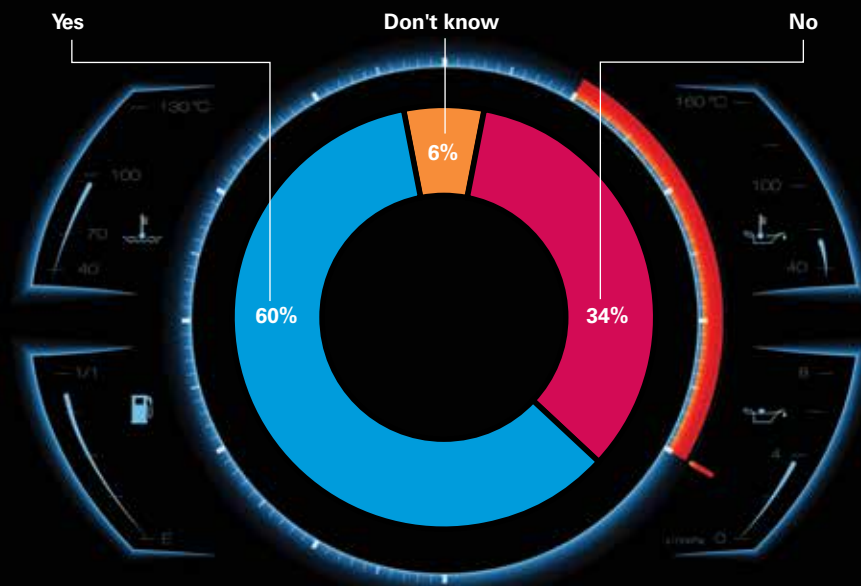
### **Project portfolio management**

Despite significant investments in project portfolio management in the last decade, our research shows that businesses are not realising their anticipated results. In fact, only 21 percent of projects are consistently delivering on their benefits. Unreliable planning, cost overruns and high project failure rates are robbing businesses of the planned business value.

Many organisations tend to focus on the tactical aspects of project execution rather than taking strategic responsibility for optimising the portfolio spend. Information reported on during a project's life-cycle is not effectively analysed against portfolio performance and consequently the impacts of decisions on the bottom line are often not fully understood.

Integrating financial management best practices with portfolio management would allow organisations to gauge the economic impact of under-performing projects and take immediate action; however, integration is often inherently challenged due to a reliance on disconnected excel spreadsheets and tools lacking the sophistication needed to manage project and portfolio financial performance.

## Does your organisation manage projects within a portfolio structure?



SOURCE: KPMG PROJECT MANAGEMENT SURVEY RESULTS 2017

Our research identifies that 60 percent of organisations manage projects within a portfolio structure, initiated to deliver greater visibility of overall commitments and to ensure that the right programmes and projects are delivered. However, we continue to see that only 31 percent of projects are consistently delivered on time, 29 percent are consistently delivered on budget and 67 percent of projects do not consistently meet their intended objectives. This demonstrates that there is a disconnect between project portfolio management functions and the business.

### Projects deliver business investments and they need strategic accountability and support to maximise value.

Organisations need to be asking "is the portfolio aligned to the goals of the organisation and are we extracting the most value from our resources?"

At the project level, the question should be, "what business value should this project deliver and how can we maximise that value?"

### The top 9 reasons for an organisation implementing Portfolio Management:

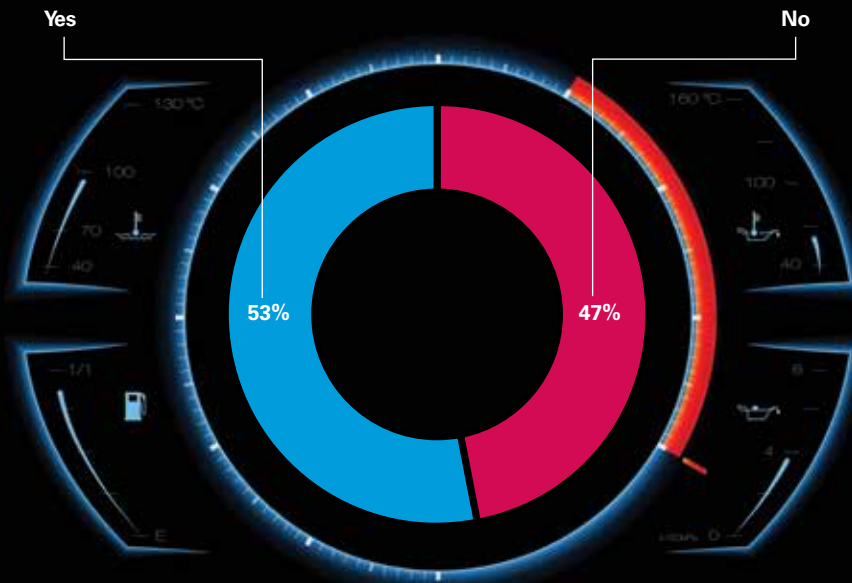
- 1 More of the 'right' programmes and projects being undertaken
- 2 Greater visibility of overall commitments
- 3 Improved cross-organisational collaboration
- 4 Improved awareness of aggregated risks
- 5 Improved stakeholder engagement and communication
- 6 Enhanced transparency, governance and accountability
- 7 Benefits realisation through greater capacity, capability and dissemination of lessons learned
- 8 More efficient resource utilisation
- 9 More effective implementation of programmes and projects

### Performance metrics

Many organisations still rely only on traditional project-level Key Performance Indicators (KPIs) to measure portfolio performance. Unfortunately, those metrics alone simply cannot reflect the true value the portfolio delivers to the organisation. For effective portfolio management you need to go beyond the traditional project level metrics of schedule, work, cost and risk and identify metrics that demonstrate the business value. Whilst each organisation is different, portfolio managers need to define the areas of focus or pain that are having an impact on benefits realisation, defining formulas and thresholds, setting targets and goals, and finally tracking and communicating results, month on month and year on year.



**Does your organisation have formal processes to regularly review its portfolio of project outcomes with the organisational strategies?**



SOURCE: KPMG PROJECT MANAGEMENT SURVEY RESULTS 2017

Effective portfolio managers look at factors that contribute to the loss of business value such as:

- › Inefficiencies from manual and time consuming processes and disconnected data and systems.
- › Unreliable planning (approaches that result in sub-optimal delivery).
- › A lack of financial insight (inaccurate cost and benefit estimates, cost overruns and poor budget utilisation).
- › Poor resource utilisation (lack of visibility across the organisations resources or resource shortfalls).
- › Metrics, where the portfolio metrics and benchmarks do not enable effective tracking of benefits.
- › Disconnected portfolios (an inability to identify redundant investments, siloed portfolios masking true enterprise context).

**Our recommendations are:**

**Gain visibility across all enterprise investment requests** by implementing demand management and governance controls. This should provide complete visibility across the capital spend, streamline capital planning and ensure cost and benefit estimates are captured at the right level of detail to improve estimating accuracy.

**Establish a portfolio management function** where a programme portfolio is complex and has significant impacts on business as usual (BAU). This should ensure alignment between projects and BAU to organisational strategy and outcomes.

**Track cost performance.** Track each project's performance throughout the life-cycle so that actuals are compared with the budget to provide variances. Change requests and incremental funding requests should be routed to appropriate decision-makers.

**Analyse the portfolio and reallocate funds.** Use dashboards and reports to analyse the portfolio, identify under-performing projects and make proactive decisions to reallocate funds to maximise the Return on Investment.

**Establish a benefits realisation framework.** Establish a benefits realisation framework to determine whether projects have delivered the desired results, drive accountability and encourage stakeholders to more accurately provide cost and benefit estimates.

# Race director – successful project leadership

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**In performance racing the role of the race director involves them generally managing the logistics of each Grand Prix, inspecting cars before a race, enforcing rules and controlling the lights which start each race. As the head of the race officials, they also play a large role in sorting disputes amongst teams and drivers.**

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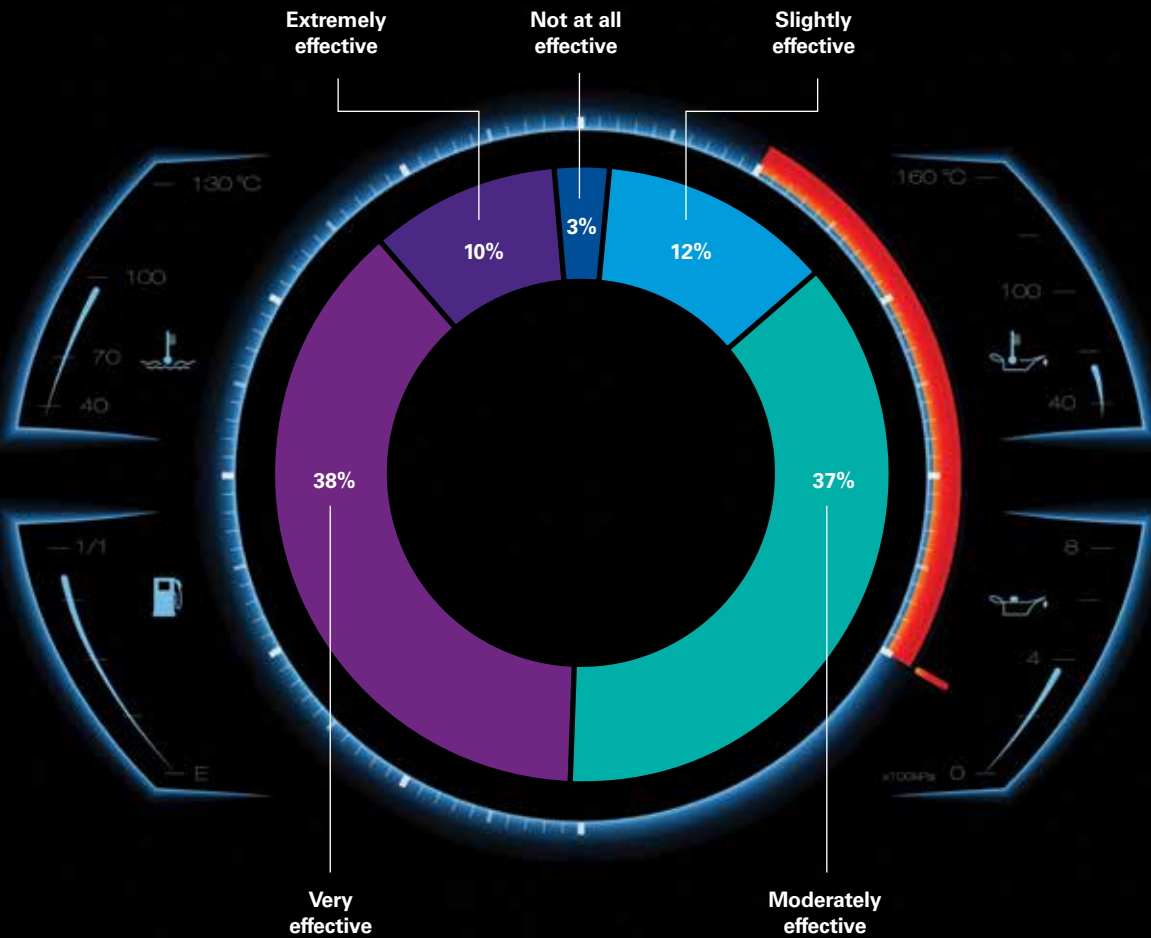
In the project management world, too often, the title Project Sponsor conjures up the image of a disconnected executive whose main responsibility is to secure the project funds and then come in for the victory lap when it is all over.

But an engaged Sponsor, with a vested business interest in the project from kickoff to the waving of the checkered flag, can mean the difference between success and failure. Indeed, one of the most common reasons why projects fall short is a lack of executive sponsorship and management buy-in.





## How effective are your organisations governance activities?



SOURCE: KPMG PROJECT MANAGEMENT SURVEY RESULTS 2017

Despite the strategic importance of the role, our survey found that 48 percent of organisations do not always have an effective and actively engaged Sponsor. In many cases, they are simply too busy. Sponsors typically have a demanding day job too. Not devoting sufficient time to the project is a common failing, but that could be a fatal error. In an increasingly competitive marketplace, project Sponsors cannot afford to take a hands-off the wheel approach. Sponsors are under continuous pressure to deliver better results with fewer resources. This means that an executive's commitment is even more important now than before.

### The role of the Sponsor

The role of the Sponsor starts at the very origin of the project. Not only do effective sponsors lead the project through the selection process until formal authorisation, they also play a crucial role in the development of the initial scope and charter. The first duty of the Project Sponsor is to define the project, identifying what the project must achieve. This requires a good understanding of how the organisation operates and the corporate strategy. Once the project's organisational goals are defined, the Sponsor must translate that vision into clearly understood deliverables for the Project Manager and team.

Most Sponsors do not devote enough time explaining how the project aligns with the overall strategy. By making the effort to draw a clear connection from project to strategy, Sponsors should provide team members with a sense of purpose, which serves as a major motivational tool. At the same time, Sponsors must act as liaisons to the organisational stakeholders, communicating how the project will integrate into their overarching strategy and goals. That means ensuring everyone who will be potentially impacted by the project knows what to expect. Since the nature of projects is to deliver change, they often affect many departments across the organisation in one way or another, and the departments have to be prepared if the benefits are to be fully realised.



### Chief project champion

Perhaps the most important role for the Sponsor is as project advocate. Effective sponsors must know how to convey the project vision to anybody who can influence the outcome. They see how much better the world will be when the project is complete. Another part of the role is supporting and motivating the project team through the good times and the bad. Sponsors should not take all of the credit when things go right and they should not allow the Project Manager and the team to take all of the blame when things go wrong. Sponsors should have consistent interaction with team members. Not only will that help the Sponsor stay on top of the project's progress, it will also demonstrate to the team that the organisation is invested in the project.

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### Our recommendations are:

- › Being an effective Sponsor requires striking a delicate balance of involvement and trust in the project team.
  - › Project Sponsors must effectively communicate the organisation's vision, goals and expectations to the team throughout the life cycle without crossing the line into micromanagement.
  - › The Sponsor and project manager need to agree from the beginning on their roles to ensure a harmonious and productive relationship.
  - › Along with supporting the project manager and team, the Sponsor must keep the organisation apprised of the project's progress and benefits, advocating for it at every turn.
  - › The Sponsor should cultivate a positive environment and constantly let people know what the project is and why it's important to the rest of the organisation.
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# Pit crew

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**In motor sports, a pit stop is where a racing vehicle stops in the pits during a race for refuelling, new tyres, repairs, mechanical adjustments, a driver change, or a penalty.**

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Teams will aim for each of their vehicles to pit following a planned schedule, with the number of stops determined by many factors such as fuel capacity, tyre lifespan, and the trade-off between time lost in the pits versus time gained on the track due to the benefits of pit stops. Choosing the optimum pit strategy of how many stops to make and when to make them is crucial in having a successful race.

Just like the pit crew, the Project Management Office (PMO) has many potential roles to play as a contributor to support project management practices in:

- › better aligning work with strategic goals;
- › supporting effective stakeholder communication and collaboration;
- › developing talent; and
- › placing a focus on realising value from organisational investments through effective benefits realisation management.

Yet, for many organisations a struggle exists to define the PMO role, to position the PMO for long-term success, and to leverage the PMO to support the organisation in achieving its strategic objectives.





**The top three reasons that best describe your organisation's decision to introduce a PMO:**

1st

**To improve governance**

(61% of survey respondents)

2nd

**To prioritise investment, align and adjust to business strategy**

(56% of survey respondents)

3rd

**To enable consistency of delivery**

(41% of survey respondents)

SOURCE: KPMG PROJECT MANAGEMENT SURVEY RESULTS 2017

**In our survey results this year, responding organisations generally had between one and three PMOs.**

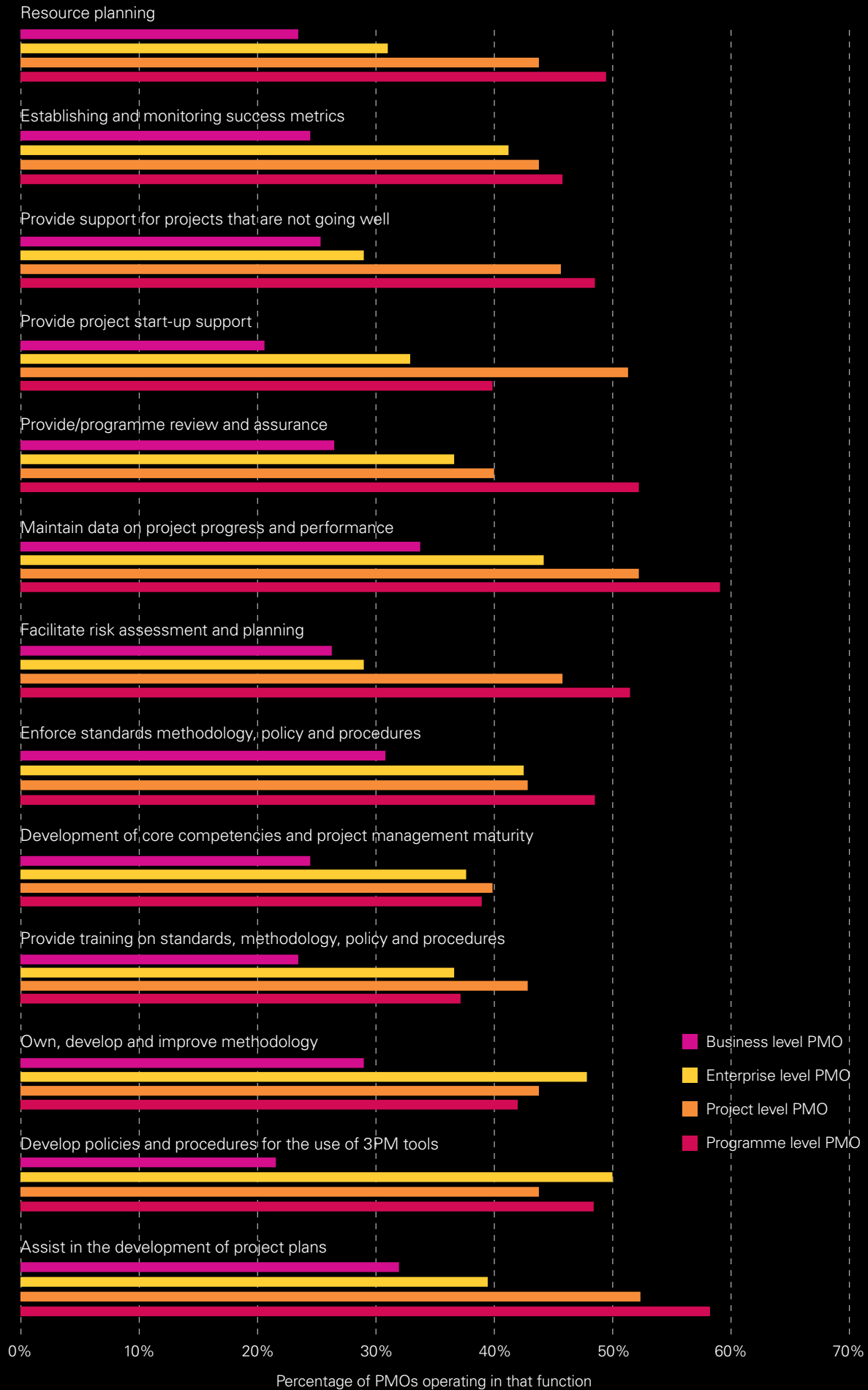
Despite the perceived need for PMOs, their ambiguous role and often incomplete implementation limit their effectiveness. Traditional PMOs have become ineffective at managing programmes to achieve results.

There are various types of PMO structures that exist and these structures often act in different ways, perform different tasks and implement organisational strategy in varying ways. However, there is no consensus on the 'right' form of a PMO. There is also little consensus even on fundamental ideas, such as what the letters 'PMO' actually stand for.

However, the importance of successfully managing projects and programmes primarily through the PMO is made clear in PMIs 2013 Pulse of the Profession™, which uncovered that organisations undervaluing project management generally spend less time, money and effort on critical functions such as talent management. This global theme was also consistent with our survey findings, which showed less than 40 percent of PMOs reporting that they contribute to the development of core competencies and organisational project management maturity.



## Functions undertaken by different types of PMO



SOURCE: KPMG PROJECT MANAGEMENT SURVEY RESULTS 2017



### **Are we managing projects or are we managing our business investments?**

From our research we can see that there is often a gap between what an organisations' executives expect and want from their PMOs versus what they actually do. This creates the question, "are our PMOs value generating functions?" A question that is one of the contributing factors to the demise of Project Management Offices. Executives look to the PMO to:

- › Proactively support the execution of the organisational strategy.
- › Collect and understand the changes in customer and stakeholder needs and expectations and to shape the PMO activities accordingly.
- › Proactively promote the PMO to the business as the premier partner for strategy development and execution.
- › Report and communicate updates on the organisational portfolio activities after reassessment against strategic planning activities.

Many Project Management Offices tend to focus on the tactical aspects of project execution rather than taking strategic responsibility for optimising the spend that can be achieved from effective project and programme delivery. Integrating financial management best practices with project and programme management would allow the PMO to gauge the economic impact of under-performing projects and take immediate action.

The PMO must ensure that it mitigates any disconnect with its business customers and is able to help define, prioritise and execute on business strategy.

In New Zealand, we often see the traditional PMO taking responsibility for the management and execution of projects; however they fail to see projects as business investments designed to reduce costs and/or grow revenue. We should be looking to the PMO to take responsibility to optimise spend and capital stewardship and maximising value from the portfolio of projects through effective cost management and value realisation.

While no two PMOs are created the same, it is clear that there is a strong desire to expand the PMO role to be more strategically focused through expanded scope of responsibility and partnering with business leaders to advance important organisational objectives.

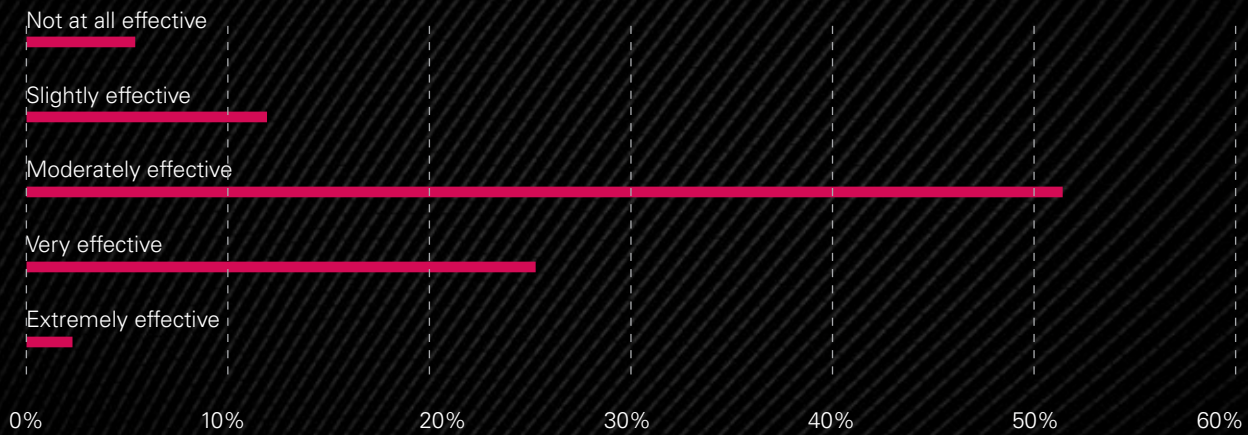
Organisations rely on project and executive teams to drive the strategies that convert projects into measurable business successes.

It's rarely a straightforward task to align projects with organisational strategy and many businesses struggle as a result.

To reduce risk and stay competitive, today's leaders are placing a premium on the alignment of projects and programmes to long-term strategy. Project Management Offices need to provide organisations a way to strengthen this connection. The PMO should provide a vital link between strategy and implementation. Without it, organisations face a higher risk of wasted work and redundancy of resources, which affects projects and, ultimately, business performance.

The PMO should support execution of project work by equipping the organisation with methodology, standards and tools to enable project managers to better deliver projects. It can increase the capability of the organisation by implementing proven practices and providing a central point of contact for project managers. It may provide training, mentoring and capability development for people, facilitate knowledge management through knowledge transfer, and perform portfolio management functions to ensure strategy alignment and benefits realisation.

## How do you rate your PMO's ability to support and effect change in your organisations



SOURCE: KPMG PROJECT MANAGEMENT SURVEY RESULTS 2017

### Strategic alignment

The need for the alignment of projects and strategy is as urgent as ever. According to the KPMG 2016 Global Chief Executive Officer Outlook report, Chief Executives are focused on:

- › Whether the organisation is staying on top of what's next in services/products.
- › The relevance of services/products three years from now.
- › Whether the organisation is keeping up with new technologies.
- › Delivering value to stakeholders and customers.

**Organisations that align their PMO to strategy, report 27 percent more projects completed successfully and 42 percent fewer projects with scope creep.**

To ensure organisations start at the front of the grid, executive leaders will also need to focus on the importance of improving their competitiveness over the next three years.

Executive leaders and PMO directors agree they will achieve their competitive goals by formulating strategies appropriate for changing market conditions, prioritising and funding the correct projects, executing projects in a way that delivers strategic results, and using lessons learnt from failed projects to inform strategic planning.

Based on our survey responses, Chief Executives will need to get the pedal to the metal to ensure they are not left on the starting grid.

An effective PMO can address the challenges above by:

- › Freeing executives to think strategically rather than being bogged down in project details, enabling executives to focus on strategic alignment.
- › Creating the capacity to select the projects best suited to deliver the current strategic direction and therefore increase strategic flexibility.

- › Increasing the chance that projects will be delivered on time and on budget, which provides tangible value to customers, and help drive business growth through customer satisfaction.

- › Providing increased evaluation of the benefits and risks of individual projects in the context of the entire portfolio, and therefore improve decision-making.

As businesses begin to undertake more complex projects and develop programmes to manage them, the role of the PMO will need to become much more visible, providing organisations with project support and guidance.

Furthermore, with responsibility to align projects and programmes to corporate strategy, the PMO can establish and oversee appropriate governance of projects to ensure strategic alignment and benefits realisation.

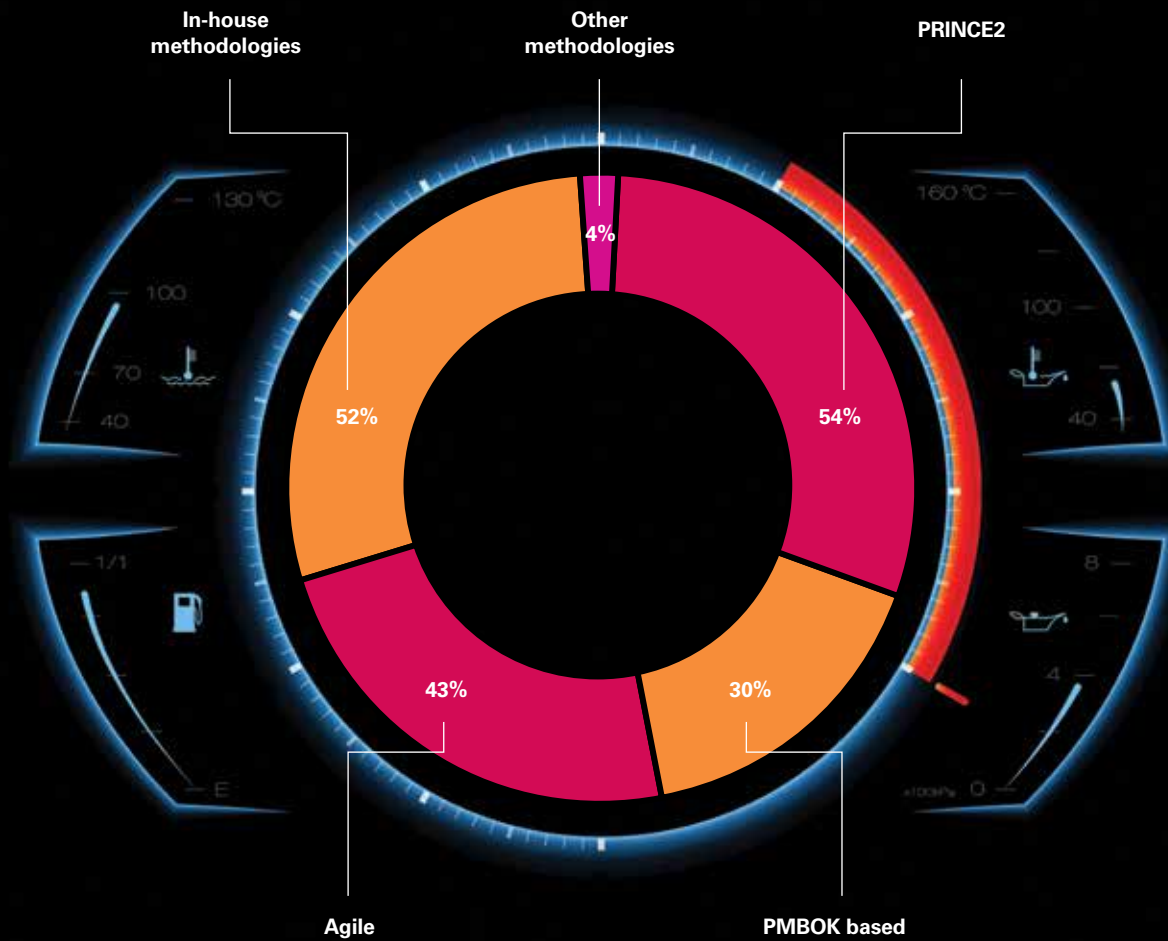
# Staying on track in the fast-lane

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**Being nimble and quick in business is crucial as the pace of change accelerates relentlessly and agile project management surges forward.**

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Which project management methodology do Project Managers in your organisation use?



SOURCE: KPMG PROJECT MANAGEMENT SURVEY RESULTS 2017

What management board would not want to be seen as responsive and alive to all possibilities when it comes to driving their business forward, especially in a period of increased competition?

It is hardly surprising that agile methods are becoming more and more popular as organisations seek to respond faster and more effectively to an increasing pace of change, especially in the way they manage projects that produce improved ways of working or new products. The use of Agile has jumped 43 percent since our last survey in 2013.

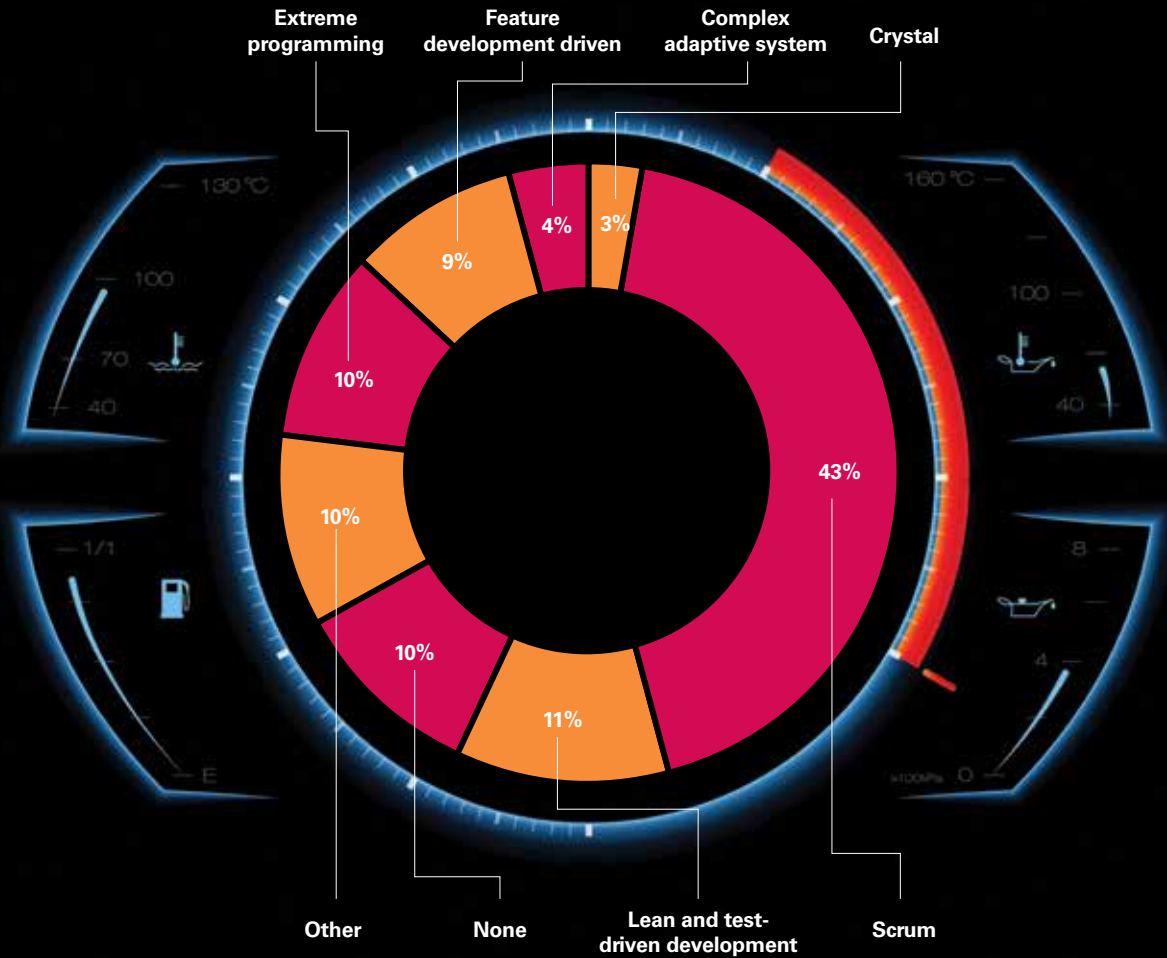
Originally conceived as a means of better managing software development, agile methods involve breaking a project into a series of steps known as sprints, rapidly testing work and holding daily meetings or scrums to review progress. Close collaboration among team members and with those who have commissioned the work is also an important feature of agile project management.

Nowhere is the need for more agile thinking greater than in the Public Sector, which not only manages some of the biggest IT projects in the country, but has also overseen some of its costliest failures.

For some years agile techniques have been touted as an alternative to the more structured waterfall approach used on many problem projects of the past. Projects running along agile lines benefit from being closer to customers, having greater transparency and being more adaptable.

Increasingly, agile development is seen as an option for much larger projects, and managers see that the principles can be used much more widely than for development of software.

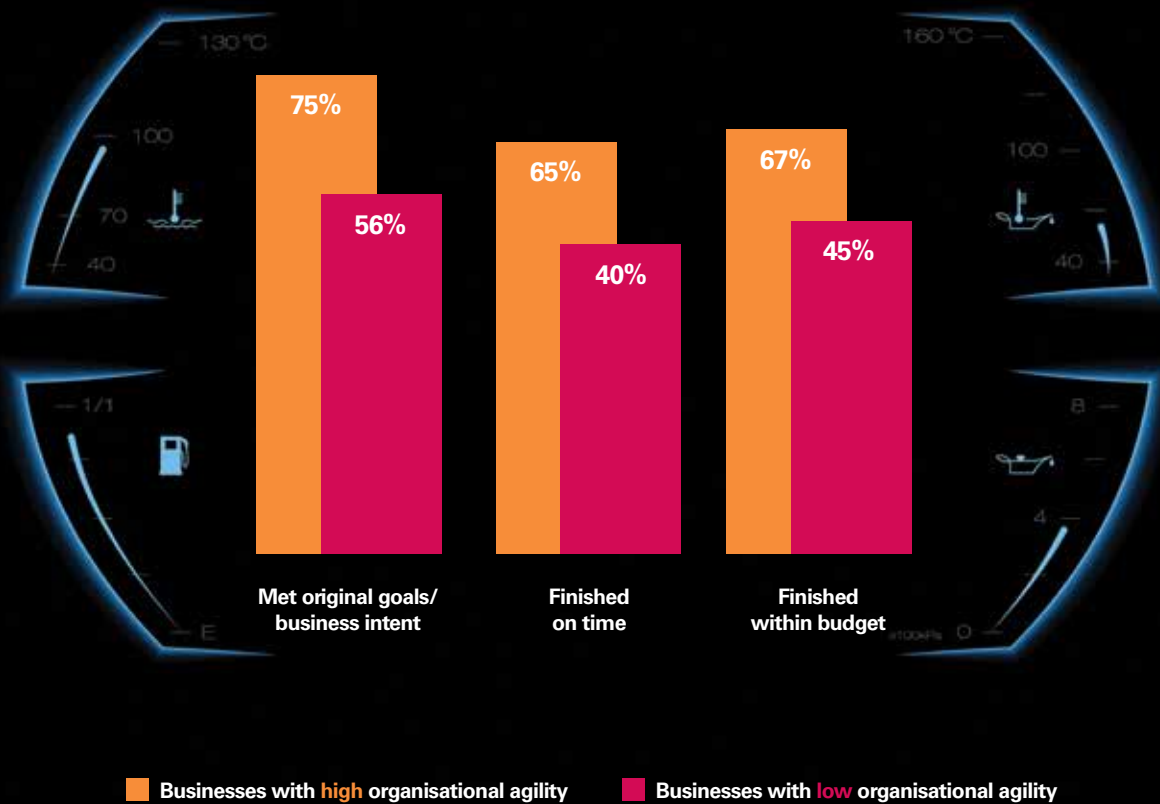
## Most popular agile tools and processes



SOURCE: PMI 2015

Agility is not a magic bullet. All projects need resources and people with experience, authority, and the commitment to see it through. Agility does not guarantee these things, but it does help managers to focus on producing things of value to their customers, and when money is short, that's more important than ever.

## Agility and project outcomes



SOURCE: PMI 2015

### Our recommendations are:

**Prototyping** – As in performance racing, agile management insists on seeing a new product early before committing. A working prototype being piloted in real use is worth more than hundreds of blueprints and designs.

**Be incremental** – make sure the focus is on incrementally implementing and gradually improving product and services. Incremental delivery of change means fast feedback on what works and what doesn't.

**Expect early business benefits** – an agile manager will generally prefer the benefits of a practical, and safe solution now, rather than risking a long-shot that may fail. The majority of projects that run longer than a year with no intermediate deliveries never deliver, no matter how detailed and convincing their business cases are.

**Get a regular heartbeat** – once you have your team on track, delivering early, getting real benefits and incrementally improving the emerging final solution, concentrate on getting a regular flow of work going: regular 'sprints' of development, with periodic business reviews of their output. The nearer you can get the workload to be consistent and regular, the less likely you are to be surprised by a big problem.

**Never slip a deadline** –When things get difficult, and they always do, a wise agile manager will cut the expectations of scope and get the team to focus on the really important aspects of the innovation for immediate delivery. What functions are the most critical? Where are the biggest business returns? What can comfortably be left until the next iteration?

**Reduce work in progress** – treat any capitalisation of unused software assets from quarter to quarter and especially over year-ends as potentially lethal. Putting software on the balance sheet that is partially developed and untested is risky practice. There are only two possibilities: it may get used in the end or it may be written off.

**Talk to people** – get out and about. Find out what the team are thinking. They know the risks better than their managers; there should be no deference to authority or rank. Dangerous group-think can occur when risk reporting becomes a hierarchical exercise driven by spreadsheets, rather than informed discussion.



CHANGE MANAGEMENT

# Changing the direction of travel

The fundamental reason for beginning a programme is to realise benefits through change. The change may be: to do things differently; to do different things; or to do things that will influence others to change.

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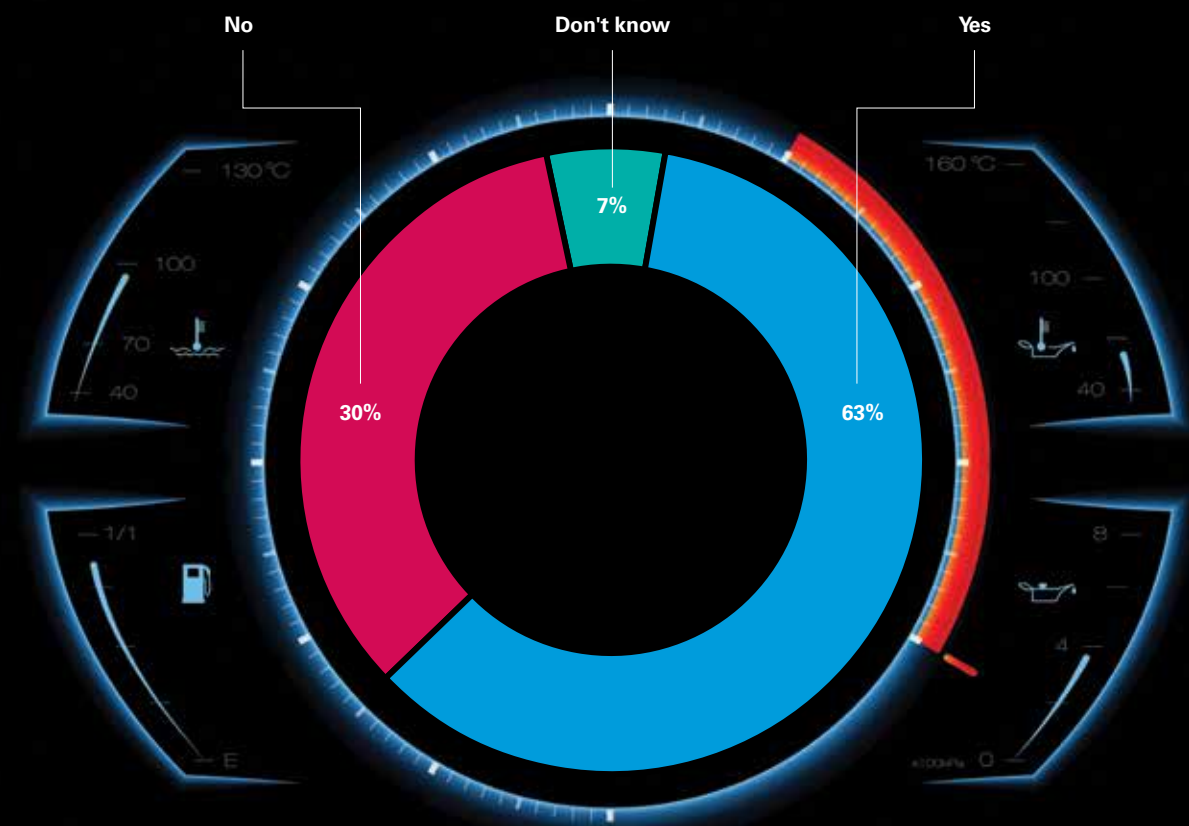
If asked, how many executives would prefer a project manager who believes the end game is simply to deliver project outcomes, with no sense of context as it relates to business strategy?

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Senior Executives must recognise that in order to compete optimally in the current business environment, their companies will be expected to do more for less in a more dynamic landscape with new market opportunities, and new ways of doing



## Do your projects undertake formal organisation change management activities during the project lifecycle?



SOURCE: KPMG PROJECT MANAGEMENT SURVEY RESULTS 2017

business. The volume of change is going to increase and the demands for business benefits realisation will also increase. It is therefore no longer optional for leaders to increase their ability to successfully implement strategies by increasing their ability to manage change and in fact leveraging this change management skill to become a competitive advantage.

The ability of an organisation to deliver business benefits linked to portfolio investments is directly proportional to its ability to manage the process of organisational change.

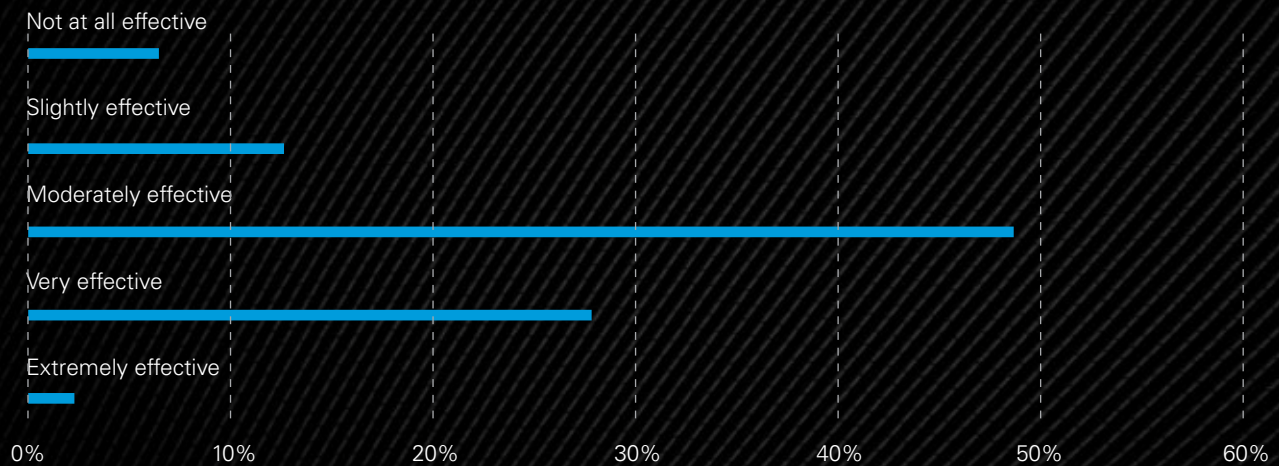
The extent to which an organisation is able to engage the whole workforce to obtain real commitment to change is the extent to which it has a chance to deliver the intended business benefits. As organisations are usually going through many changes at the

same time, the ability to build the ongoing and repeatable capacity to engage with employees, gain their commitment, and ensure profitable and timely delivery is the extent to which the organisation gets better at changing. When organisations can leverage the attributes of a learning organisation and continue to improve their change management capabilities, then the organisation will be better than its competition and gain the much-touted competitive advantage.

Unquestionably, the current turbulent environment demands organisational agility. Organisations are recognising the need for maturity in the areas of portfolio, programme and project management; however, the focus on the intricacies of change is an area which the project management discipline does not seem to have fully taken advantage of.

Whilst organisational change management activities are being undertaken, leading change in the organisation was rated as the most lacking skill in project management professionals in this year's results.

## How effective are your organisational change management activities?



SOURCE: KPMG PROJECT MANAGEMENT SURVEY RESULTS 2017

Whilst awareness of the challenges associated with change is prevalent, there is also compelling evidence of the long-term benefit of being great at driving organisational change. Therefore, it is expedient to look at some of the reasons why change is difficult, so that we can deliberately tackle the reasons for change complexity.

**Type of Change** – a one-size-fits-all approach is not advisable for all change initiatives. Organisations need to assess the impact of an impending change, and the nature of the change, before deciding how best to introduce new changes. Purposeful evaluation of the type of change followed by the right change implementation strategy is a sign of a mature environment that increases the chance of success.

**Organisation vs. Individual** – A key fact of successful change is that organisations define change that needs to take place at a corporate level; however, the decision to engage and 'own' the change is at the employee level. The success of the change is dependent on the extent to which an organisation is able to engage each employee to own the change. Mature change organisations ensure steps are put in place to proactively engage with each stakeholder so that a majority of the stakeholders can become owners of the initiative as required.

**Leadership & Sponsorship** – The extent to which leaders begin to sponsor initiatives in an active and visible manner is the extent to which success is increased. Active and visible executive sponsorship has been commonly recognised as the number one contributor to change management initiatives.

**Value Systems** – The value systems of an organisation represent the platform or organisational mindset that enables or hinders change. Leadership of the organisation can purposefully engineer an enabling value system in order to increase the agility of the company. However, this requires the united and unwavering commitment of each leader to live the desired values and drive them through the organisation without compromise.

**Change Saturation** – it is important also to know how many changes are happening simultaneously within an organisation at any given time, in order to assess whether this is the optimal time to introduce additional change, or whether there is sponsor availability to champion another project. This evaluation could result in the deferment of a planned change if the timing is not right or if there is no right sponsor to champion the project.

All of the above can combine to affect the ability of programme and project management efforts to deliver promised business benefits in a consistent manner.



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Only a quarter of respondents rated their PMO's ability to support and effect change in their organisation as very effective.

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**Our recommendations are:**

**Building change leadership as a leadership competency.** This means that change leadership or sponsorship becomes a leadership competency that is recruited for and developed in leaders in the same way that it is done for other competencies such as decision-making.

**Coach Managers to lead change.** Managers need to demonstrate buy-in and support for the change and they also essentially coach employees through the change process. One of the most important possibilities and privileges that managers also have in the delivery of change initiatives is that they best identify and manage resistance to change amongst the workforce.

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**Manage resistance to change.**

If the interaction with employees during change initiatives is not properly and proactively managed, it is possible to damage morale, lose staff, and not meet business objectives. Change management effort needs proper planning to be most effective.

The Change Management Strategy and Plan must address all the dimensions of change, including organisational structures to support the business change, technology adoption, changes to business processes, and training.

Where multiple organisations are involved in the change, develop and implement change management plans individually tailored to each organisation.

Consider the impacts of your programme/projects change on dependent projects and ensure the risks associated with these changes are included in the project planning.

Operational leads for the organisation should be assigned as key project owners and culture change agents. Ensure they have sufficient training and support.



# Getting placed #1 on the grid

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**Projects and programmes are the core of any organisation's strategic initiatives – they are how change happens. Having the talent to implement those initiatives successfully is the critical capability that gives organisations a competitive advantage to navigate through necessary change. Excellence in managing the talent is a key to unlocking that capability.**

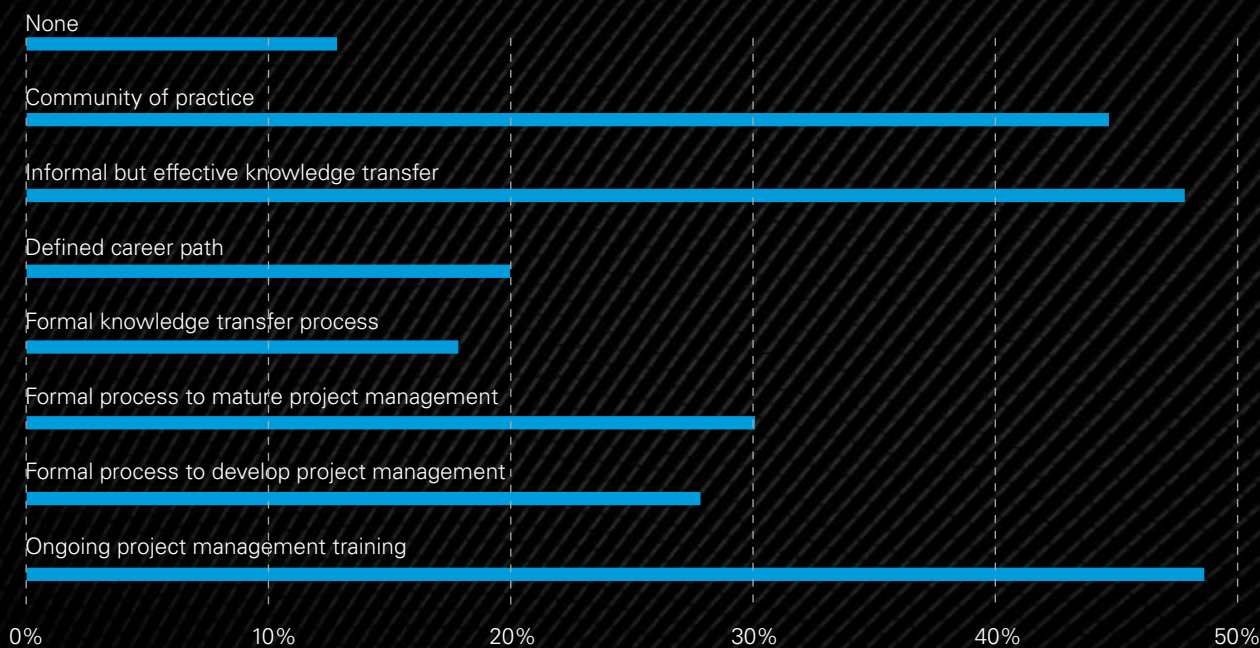
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New Zealand needs to be able to attract people that can build and lead businesses; that are prepared to take risks and are prepared to position their projects to deliver the strategic outcomes to take New Zealand to the next stage of the race.

Project Management Institute research shows that 88 percent of executive leaders consider strategy implementation important, yet 61 percent also acknowledge that their organisations are struggling to bridge the gap between strategy formulation and its day-to-day implementation. On top of that, only 17 percent see implementation efforts as strategic.

The separation between what organisations say they should do, and what they actually do, further demonstrates a very real lack of understanding that strategy is implemented through strategic initiatives. Those initiatives are comprised of projects and programmes whose execution is at the core of an organisation's success. This, in turn, elevates the role of project and programme managers as key talent with the critical capability to drive an organisation's most important initiatives to fruition. The results are competitive advantage, growth, and customer satisfaction.

## Which people management activities does your organisation undertake to support project management maturity?



SOURCE: KPMG PROJECT MANAGEMENT SURVEY RESULTS 2017

As organisations evaluate their talent management strategies for project and programme professionals, pursue new hires and retain existing ones, they will benefit from recognising which skills and competencies set these professionals apart from other operational employees so they are best prepared to do their jobs.

With the increasing complexity of projects and the ever increasing pace of change, organisations need to recognise that it is no longer enough to focus their talent hiring and development on only technical project management skills. Organisations need project managers that have the ability to deal with ambiguity and can lead strategic initiatives that drive change in their organisation.

Organisations need to lead and direct projects and programmes, not just manage them. The well-rounded project manager not only has the technical project management skills, but also the strategic and business management skills and leadership skills.

### Unfortunately, our survey this year highlights the top skills project managers lack as:

- › **Leading change in the organisation**  
(39% of survey respondents)
- › **Difficult conversations and conflict management**  
(34% of survey respondents)
- › **Political smarts**  
(30% of survey respondents)
- › **Resolving 'grey' issues**  
(30% of survey respondents)
- › **Communication skills**  
(27% of survey respondents)

When organisations focus on developing and managing strategic talent, they assure the business has the necessary skill sets. The more mature an organisation is in managing strategic talent, the better its performance compared with peers in executing projects that meet business goals, implementing strategic initiatives, increasing revenue, and improving financial performance. The only true way to achieve consistently good delivery is to ensure that the people who are responsible and accountable for project delivery understand how to lead and create project environments that others want to be part of.

We have just passed the halfway mark in what is forecast to be a dynamic, decade-long growth trajectory for project management from 2010 to 2020. This global boom in project management is bringing jobs, creating an estimated 11 million new roles globally.

Such spectacular growth prospects may set industry pulses racing, but the day job of a professional project manager is not meant to be the stuff of high-octane drama. The objective of project management is to be routinely reliable in delivery of outputs to time, cost and performance, with no surprises. However behind the routine delivery lies the challenge of innovation. Innovation is found in three key areas: advances in information technology; development of enabling concepts, such as agile; and broadening of entry routes into the profession. Often championed as key catalysts for industry change are the megaprojects. These high-profile schemes enjoy the sheer spend and scale to drive innovation. But does size matter?

There is so much more to project management. Size can bring many challenges, but it's not really the issue, what matters are complexity, uncertainty and urgency. All these dimensions call for new innovative ways of thinking.

It is debatable, though, to what degree learning and knowledge gained on management of major projects actually gets transferred to the wider industry and smaller projects. We have a need to improve learning capture, which can advance professional capabilities and build industry capacity.

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### **What areas of specialisation do your project management roles cover?**

#### › Knowledge management (36% of survey respondents)

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Knowledge management across businesses has to improve on a formal level beyond sharing by osmosis. Digital working and collaboration can be a key driver of innovation and knowledge transfer, with project management part of this global megatrend.

Project management is starting to move with the digital age, with useful Apps for staff that give them a mobile risk assessment tool to summarise incidents, allowing timely and informed decisions to be made on the go. The opportunity is there to bring in young project managers who have the vision of how technology can be used. However, young people coming into the industry have had tablets and iPhones for half their lives. They will be horrified when they see the technology they have to put up with at work and will vote with their feet. As a discipline, project management will have to find a way of delivering change that feels as easy as downloading an App.

Described as a young profession, project management is facing growing pains. Fears of skills shortages are well founded. There will be a significant scarcity of supply and successful delivery experience takes time to build. In pursuit of maximum capacity and capability, project management cannot afford to be insular or exclusive either.

We also need to make sure people from every discipline have project management skills. As project management has become more professional, other disciplines have abdicated their need to focus on budgets and timelines. Project management skills are critical for technicians and change-agents too.

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#### **Our recommendations are:**

Focusing on proven predictors of highly mature organisations in managing talent, will boost your talent management capability:

- › Moving resources from current assignments to next opportunities effectively.
  - › Identifying replacement candidates due to turnover or churn.
  - › Creating broad succession plans across organisational boundaries.
  - › Linking advancement and succession processes.
  - › Stimulating adoption and analytics use among business leaders.
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# Driving excellence

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**In Formula 1 racing, the ultimate question has to be “why would you do something unless you knew what the outcome could be?”**

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We believe that this will soon become the mantra of the board room. All of the data from the cars, from competitors, even video footage and weather reports, are all transmitted live to the track team and to the engineers at ‘Mission Control’. Prior to and during the racing weekend, race strategists continuously run predictive race simulations to analyse and understand the available strategic options that are available under different scenarios, and what the respective likely outcomes will be.

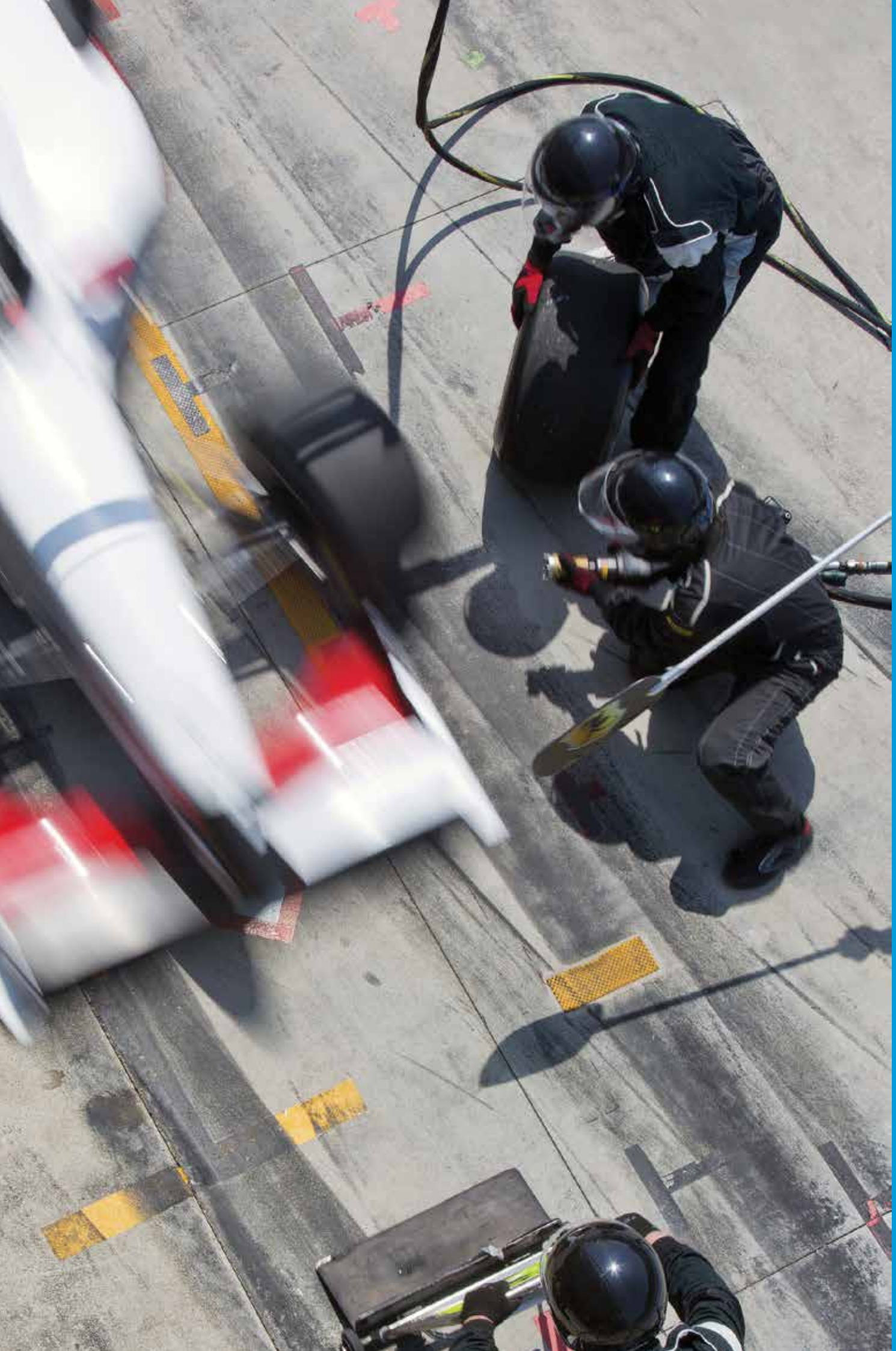
Before each race, thousands of races are run in a virtual environment where hundreds of variables are continuously changed, from the position of the car in the race to the rate of tyre degradation. Theoretical and game-changing events are also introduced, e.g. rain, driver error, and car collisions. The output of these simulations determine a theoretical optimum race strategy – how many pit stops to make and when to make them.

During a race, new real-time data is constantly fed in to the pre-loaded simulations to run multiple ‘what if’ simulations in parallel, so as events actually occur, it’s possible to respond to unexpected events in an optimum way.

Some of the most critical decisions that can change the entire complexion of a race need to be taken in less than five seconds.









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What are the critical decisions that you need to make quickly that could dramatically affect your projects performance?

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Benefits realisation measures how projects and programmes deliver true value to an organisation. Organisations that implement effective benefits realisation understand this value, because they are capturing the hard facts needed to demonstrate the return on their project investments. Only a few organisations have effectively implemented benefits realisation practices for their projects and programmes and not enough have any benefits realisation processes in place at all. These organisations are missing an opportunity to understand what would help them increase their rates of project success and reach their optimum performance.

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Do you know what the optimum performance of your project is and what strategy you need to adopt right now to respond to today's issues?

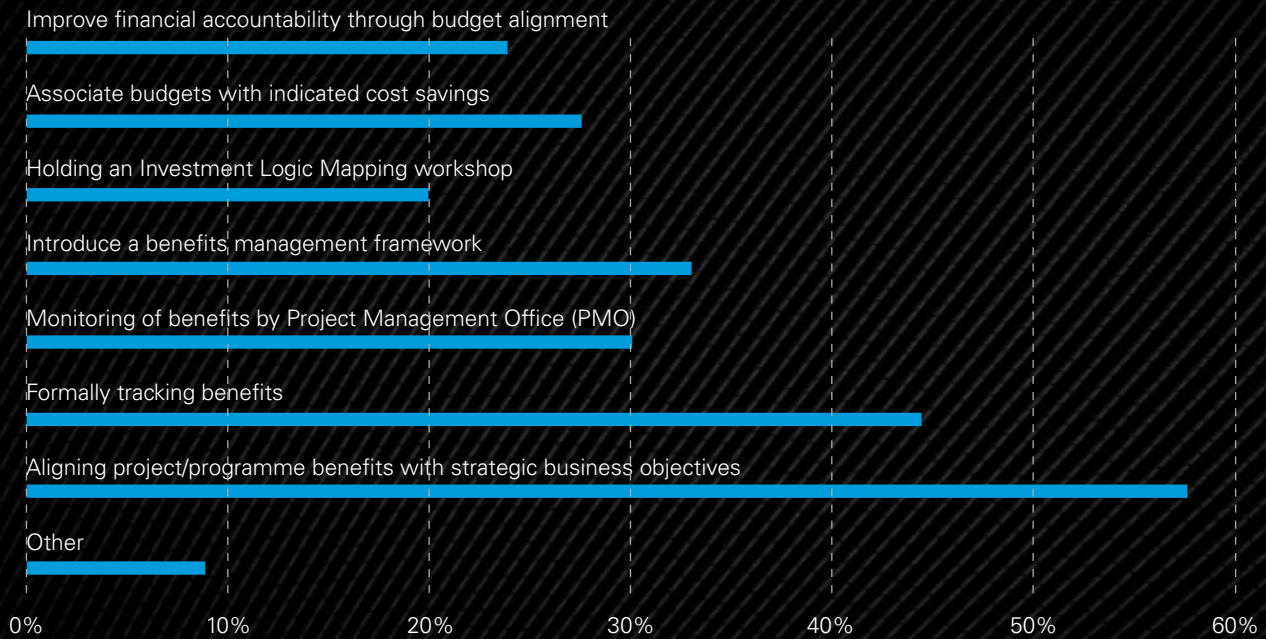
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The Project Management Institute reports in its 2016 Pulse of the Profession®: The High Cost of Low Performance that organisations in the UK continue wasting \$138 million for every \$1 billion invested in projects and programmes due to poor performance. Imagine the difference we could make to New Zealand if we could avoid such benefits leakage in our project delivery.

Our 2017 survey indicates that only 46 percent of organisations report having formal benefits measurement and realisation process in place and only one fifth of organisations are consistently achieving realisation of their planned benefits.

Whilst relatively low, this represents an increase where almost two-thirds of those surveyed did not attempt to measure the return on their project investments in our 2013 survey findings.

## What are you doing to improve benefit realisation practices?



SOURCE: KPMG PROJECT MANAGEMENT SURVEY RESULTS 2017

Benefits realisation is challenging but when executed well, it helps ensure that the outcome of a project produces the desired benefits, as projected in the business case. This is achieved by establishing, measuring and communicating the results of an organisations initiatives. Such insights into performance is also an essential planning tool for future projects and resource allocation.

### Benefits measures

Many business investments have trouble working out reasonable measures for the benefits stated in the business case. All benefits are measurable in some way, whether you consider them tangible, intangible, financial or non-financial. You must provide some type of measure for the investment because if you can't measure the benefit how can you determine or prove whether it was or wasn't achieved?

### Our recommendations are:

**Responsibility** for defining the benefits realisation approach and tracking and reporting on the benefits should be given to the people responsible for realising the benefits.

**Early involvement** with the business as usual function that will own the benefits delivery to ensure they sign up to the delivery of the benefits.

"Winning in Formula 1 depends on thorough preparation, focused delivery and commitment by all concerned. So it is with realising benefits from projects and programmes – success depends on strict control over the investment decision (to ensure limited resources are targeted to deliver the greatest return relative to risk); disciplined delivery (to ensure performance matches the promise); and an on-going focus, to ensure benefits continue to be realised after project closure."

**Steve Jenner** – Author of Managing Benefits and Senior Managers' Guide to Managing Benefit, co-author of Management of Portfolios and An Executive Guide to Portfolio Management

# Culture of continuous improvement

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**As soon as racing teams have completed any race they go back and look at every decision that was made in that race and see if they could have made a better decision. Even if they have won the race, they still want to know if a better decision was available at any point in time.**

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In business it seems there is always a new transformation or change programme underway or needed. Organisations are constantly looking to simultaneously increase revenue while reducing costs. There's a lot of data that could help, but how often is a rigorous post-programme analysis seen as strategically important?

In contrast, race owners conduct post-race reviews, not because of discipline (i.e. you have been told you have to), but because it's not questioned that it's invaluable to improving data and simulation, a key source of competitive advantage.

Improvements and iterations need to happen before the next race, so the comparisons between what was expected to happen and what actually did happen, happens. In business, this activity, if it happens at all, can drag on losing the value from lessons to be learnt.

This approach of learning from the past to contribute to the certainty and accuracy of the future requires a commitment to constantly feed the machine as part of a continuous learning cycle, and ensuring that the collective intelligence and experience of the organisation is there at the fingertips of the next person that needs to make a decision.



# Think performance racing...



Does your organisation have a culture of continuous improvement, and how can you better harness your project information to help you to respond effectively to risks and issues? If your performance improvements are not on track, KPMG can help.



# End of race wrap-up

# 1

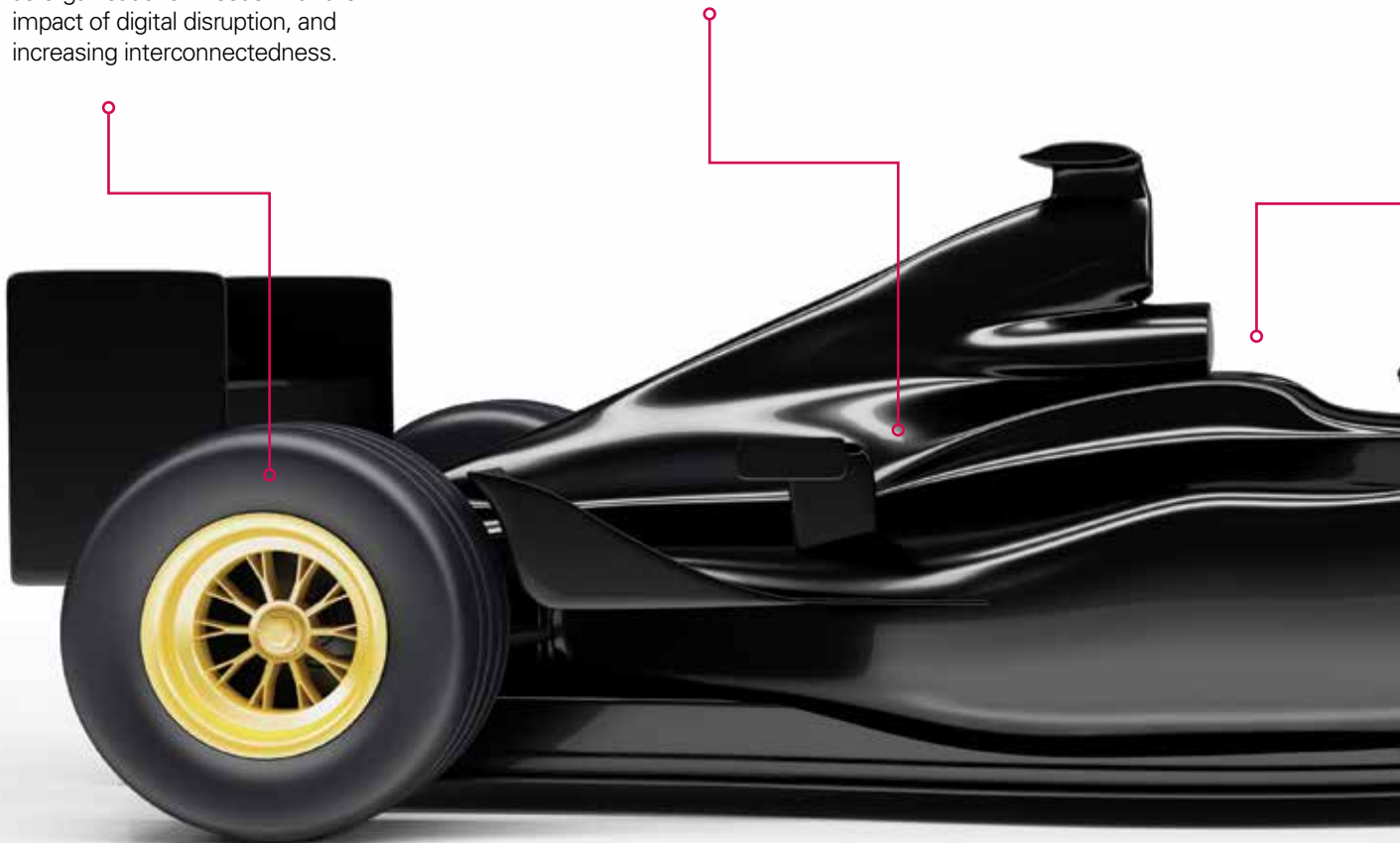
## Acceleration

Organisations are being challenged to stay in pole position in an interconnected, fast-moving world. The number of projects is growing, as is their complexity. We are seeing ever larger projects, as organisations wrestle with the impact of digital disruption, and increasing interconnectedness.

# 2

## The engine

Project management methods that allow for accelerated development and rapid learning will become critical to serving the business. Project leaders must adapt to new, innovative business models and technologies.



# 3

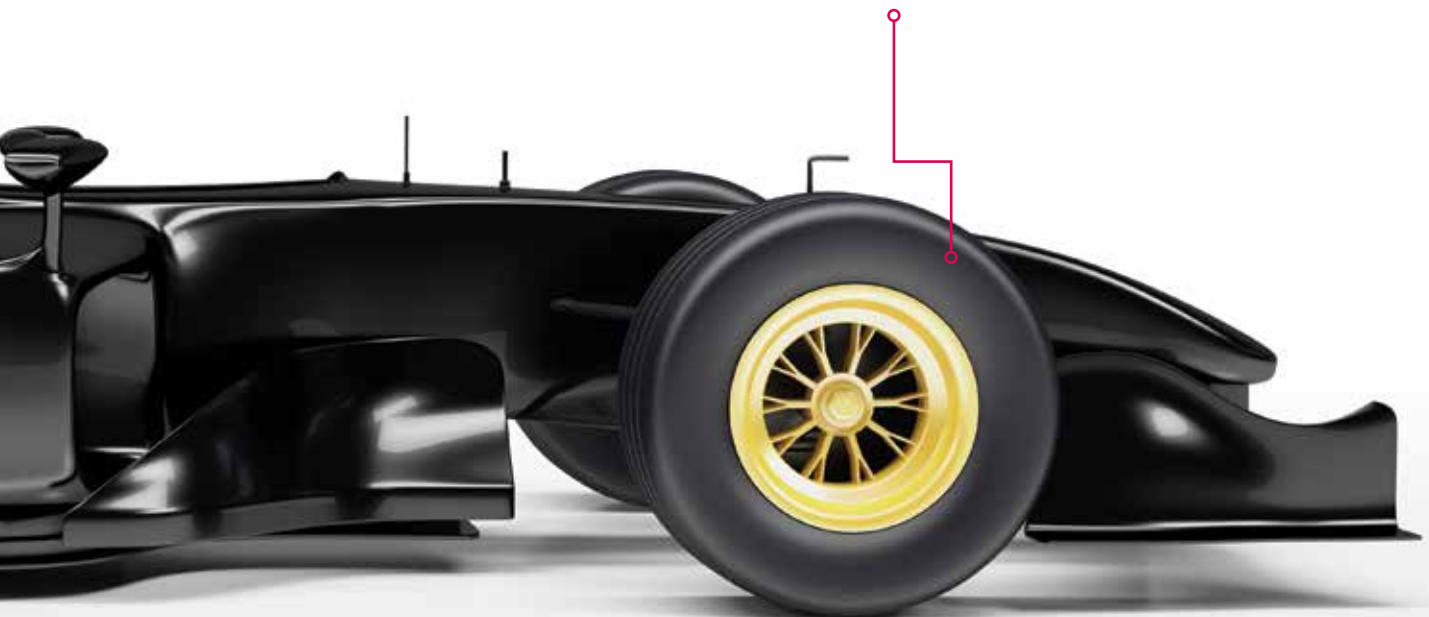
## Project driver

Organisations that successfully align their talent strategy to organisational strategy have a higher success rate than those that don't. Strong leadership skills will enable organisations to deliver podium worthy projects.

# 4

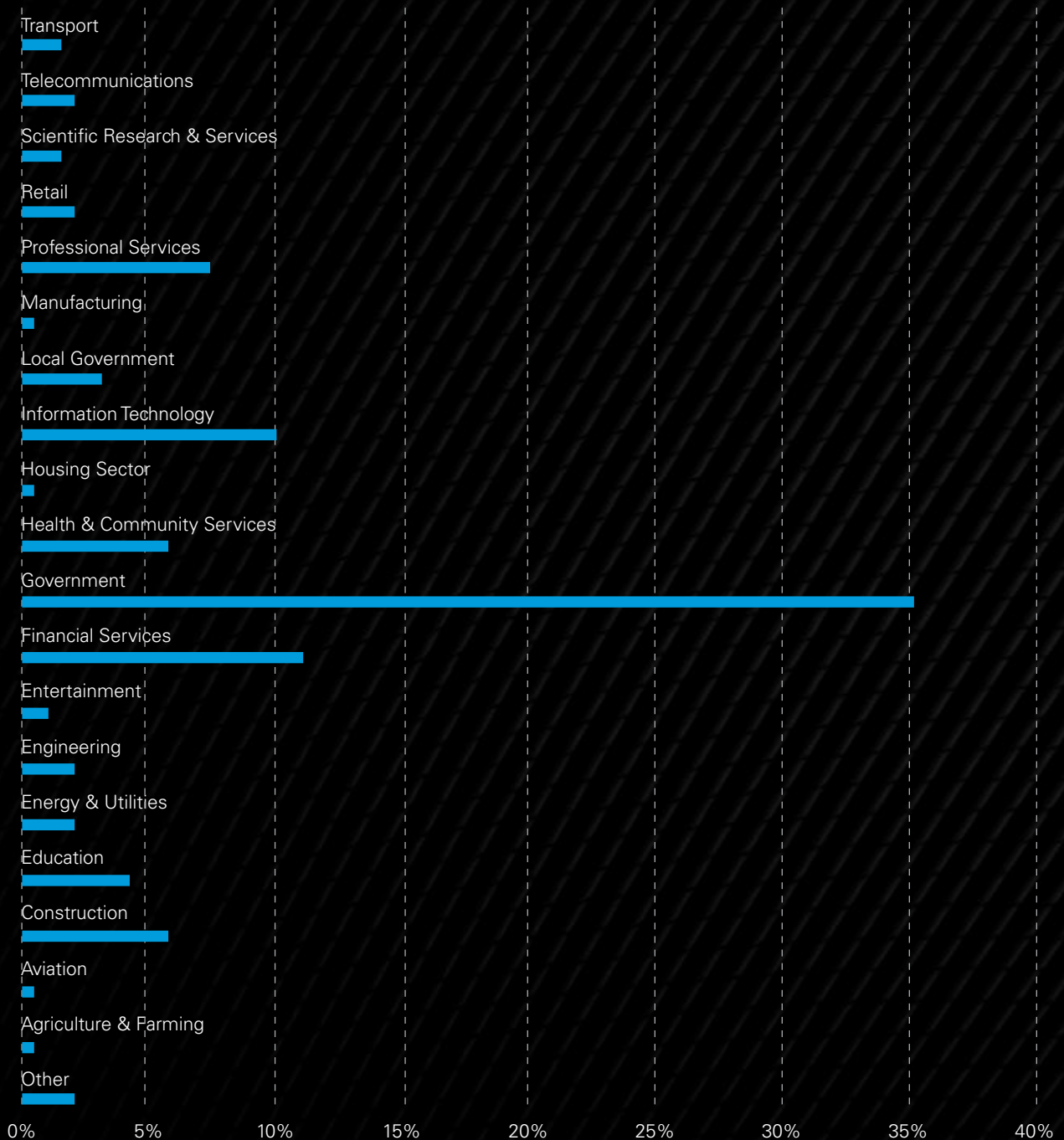
## Delivery and handling

The disciplines of change management and project management will continue to be of significant strategic importance in driving businesses forward and delivering business value as a direct result of the project.



# Extra survey results

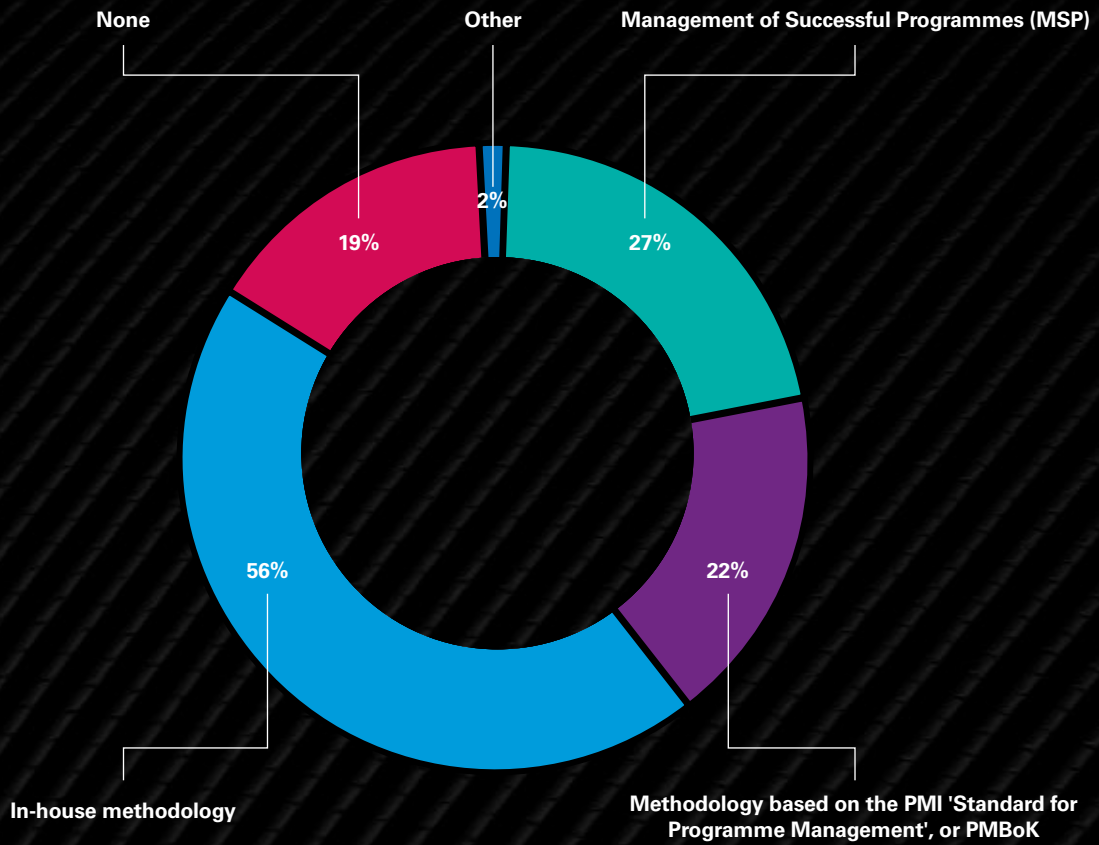
What industry does your organisation operate in?



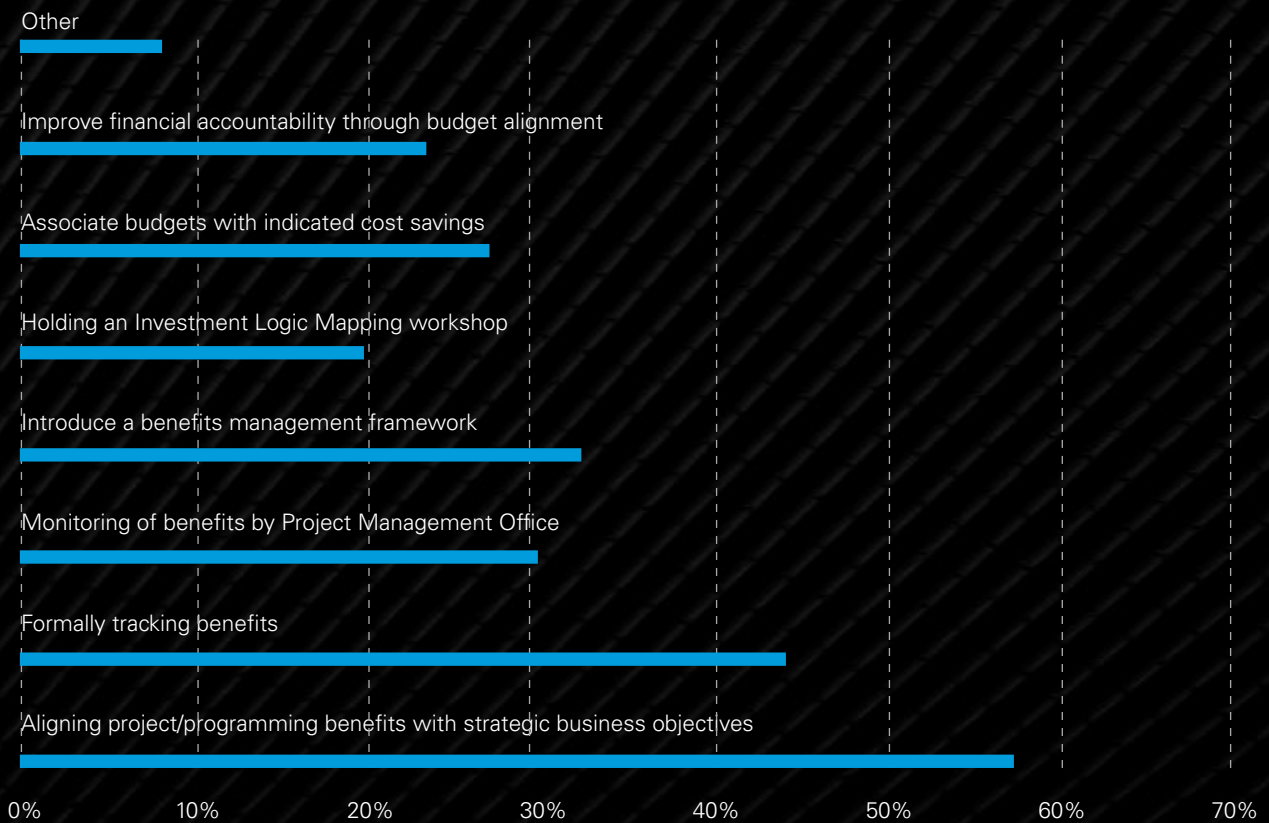
SOURCE: KPMG PROJECT MANAGEMENT SURVEY RESULTS 2017



**Which programme management methodology is used within your organisation?**

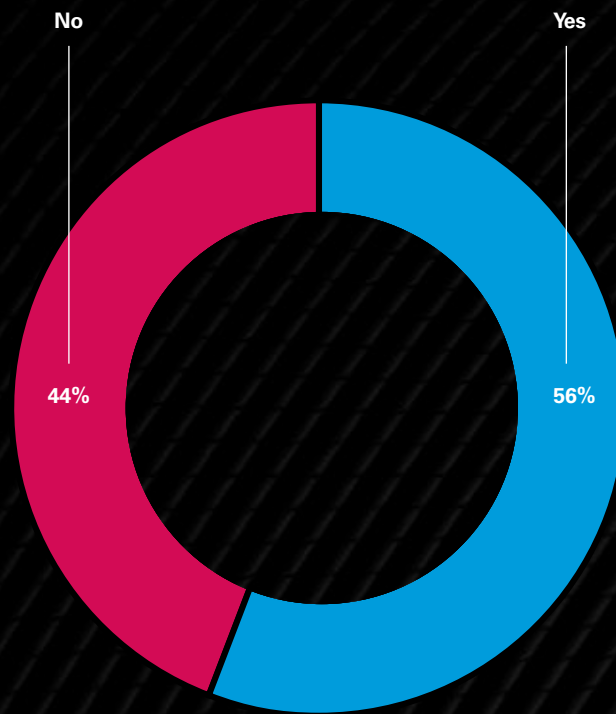


**What are you doing to improve benefit realisation practices?**

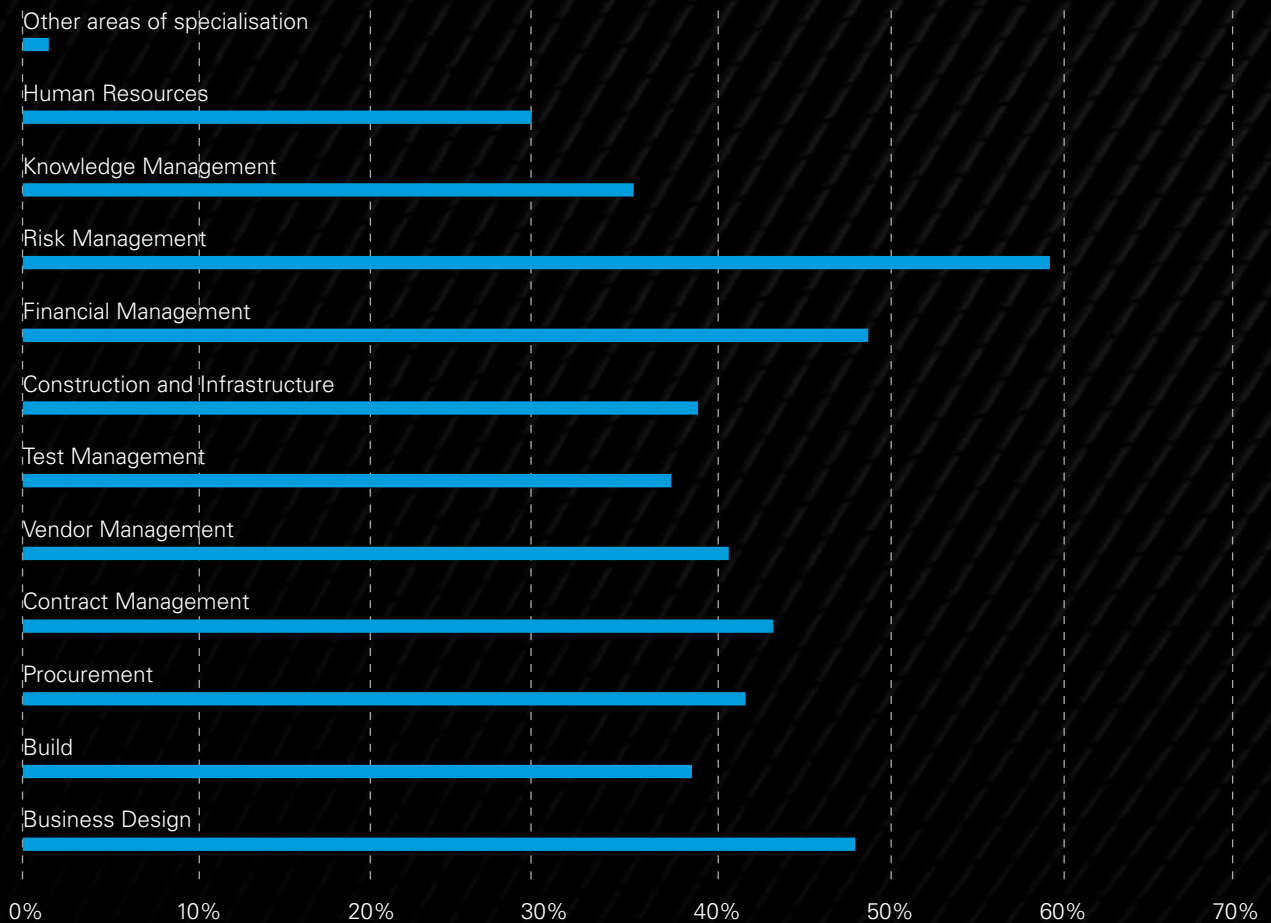


SOURCE: KPMG PROJECT MANAGEMENT SURVEY RESULTS 2017

Is the delivery of projects within your organisation co-ordinated by a Project Management Office (PMO)



What are you doing to improve benefit realisation practices?



SOURCE: KPMG PROJECT MANAGEMENT SURVEY RESULTS 2017

A blurred racing track at sunset with the text "FUELLING PROSPERITY" and a New Zealand map icon.

**FUELLING  PROSPERITY**

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