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PROJECT ADVISORY SERVICES

KPMG New Zealand Project Management Survey 2010

Confidence is a planned approach
to Project Management
– not a leap of faith

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Key findings at a glance

- New Zealand's first major nationwide Project Management Survey has found that 60 percent of New Zealand companies are failing to measure the return on their investments in projects.
- More than a quarter of organisations surveyed do not undertake any form of strategic review to track the benefits realised by the business.
- Findings indicate that 70 percent of New Zealand companies have experienced at least one project failure in the past 12 months.
- Results show that projects undertaken by New Zealand companies often perform poorly in at least one of the following areas – lack of timely delivery, cost (project runs over budget), or inability to achieve the stated deliverables.
- Over 50 percent of respondents stated that they do not consistently achieve stated project deliverables.
- Only one-third of companies always prepare a Business Case for all projects.
- Nearly 60 percent of New Zealand companies fail to consistently align their projects with corporate strategy.
- In the past 12 months, 98 percent of those surveyed completed less than five projects; however, the amount of money spent is significant with 44 percent of companies spending more than \$15 million on their projects over this period.
- 68 percent of companies do not always have an effective Sponsor to provide clear direction for the project or to escalate problems when necessary.



Foreword



Alan Brame
National Managing Partner, Risk Advisory

KPMG's Risk Advisory group is pleased to launch our 2010 New Zealand Project Management Survey.

Our survey combines insights and trends from across New Zealand with detailed analysis by our experienced project management practitioners. We believe our survey makes a significant contribution to project management research.

Governance and accountability are more important than ever, as boards and stakeholders intensify their focus on results.

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

Projects are overwhelmingly the vehicle for executing these commitments, representing significant investments for the organisations concerned. As a result, the importance of making the right project investments is heightened.

Across the globe, project performance issues are continuing. Organisations do not appear to be delivering on their commitments. The required value from project investments is not being achieved and consequently the discipline of project management is coming under scrutiny.

We believe that the insights contained in this New Zealand specific survey provide useful guidance on the essential factors behind successful project management.



Gina Barlow
Director, Project Advisory

Today's organisational practices reflect the increased visibility of project management and the heightened attention being given to the importance of realising project benefits.

Organisations must continually assess and prioritise business initiatives to support future growth and improve internal performance. They must demonstrate the success and sustainability of these projects.

There is growing acknowledgment in the New Zealand Government of the importance of realising project benefits. Solid governance processes are critical if organisations are to achieve a full return on their project investments. There is growing recognition that effective governance over projects cannot occur in isolation and needs to be an integral part of an organisation's overall governance framework.

This survey identifies a number of practices that can assist organisations to extract more value from their project investments and enable them to meet commitments more of the time.

Acknowledgements

This survey is a result of an investment of time and intellectual property on behalf of our valued clients. 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 our clients.

Background to the survey

KPMG's Project Management Survey 2010 is New Zealand's first major survey of this kind. The survey explores current trends in programme and project management.

"We've come a long way, but we still have a long way to go!"

Government Sector Respondent

KPMG conducted the inaugural Project Management survey in August 2010, using a 22-question survey instrument.

Answers to multiple-choice and open-response questions were recorded and analysed by a team of KPMG project management professionals.

Analysis was conducted on the information provided by our clients. Nearly 100 organisations participated in the survey, providing a solid base of data to analyse.

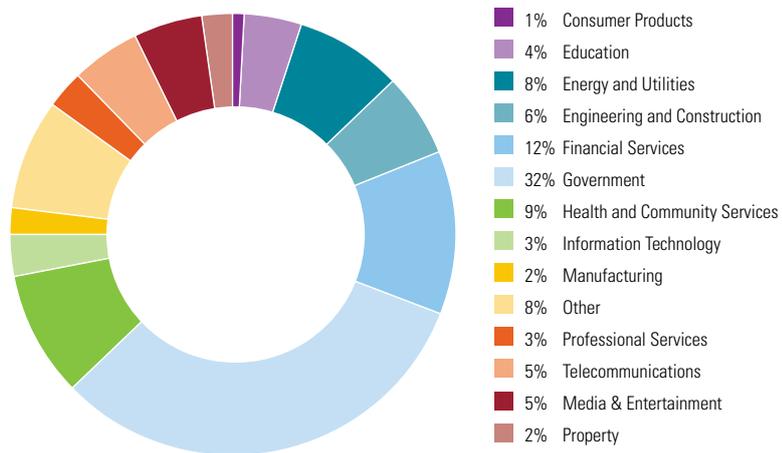
The survey included a wide range of organisational representatives involved in the high level management or governance of projects and programmes, across a wide variety of industries.

Extensive analysis and insights are provided to help the reader achieve more effective project management practices.

Key topics examined included:

- project governance
- Business Case management
- benefits realisation

Respondents by Industry Sector



Project management in New Zealand today

Over the last eight years since KPMG's International 2002-2003 Programme Management Survey, KPMG has observed a decrease in the volume of project activity across all sectors of the economy.

In the past 12 months, 98 percent of those surveyed completed five projects or fewer; however, the amount of money spent was significant with 44 percent of companies spending more than \$15 million on their projects in this time-period.

Results show that companies are moving forward after the recession, with growth and efficiency initiatives being the focus for most companies.

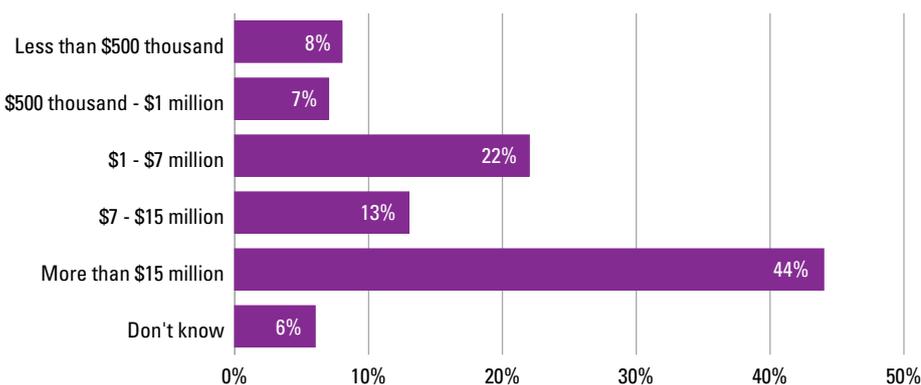
Our respondents told us that their key drivers of project activity include:

- To introduce new products and services (67%)
- To support organisational change (62%)
- To develop information technology (57%)
- To develop strategy (44%)
- Legislative drivers
- Implementing government policy (for public sector organisations)

Today's projects are often characterised by increased complexity and interdependencies. We have observed a high volume of cross-divisional initiatives requiring multi-disciplinary teams, aimed at integration of customer-centric objectives.

Organisational project spend over the past financial year?

■ % of respondents



“Boards, management, employees and third parties expect and demand results. Organisations respond by making investments at every level.

Projects are overwhelmingly the vehicle for executing these commitments, representing significant investments for the organisations concerned. As a result, the importance of making the right project investments is heightened.”

Alan Brame
National Managing Partner
Risk Advisory
KPMG

Failure to measure return on investment

Benefits management practices are often absent.

Robust benefits evaluation and measurement processes are needed

Organisations will struggle to maximise the return on their project investment without robust benefits evaluation and measurement processes. In the interim, project investments will continue to under-deliver and commitments will not be kept.

Inadequate benefits management processes are preventing the articulation of program and project success in the majority of cases.

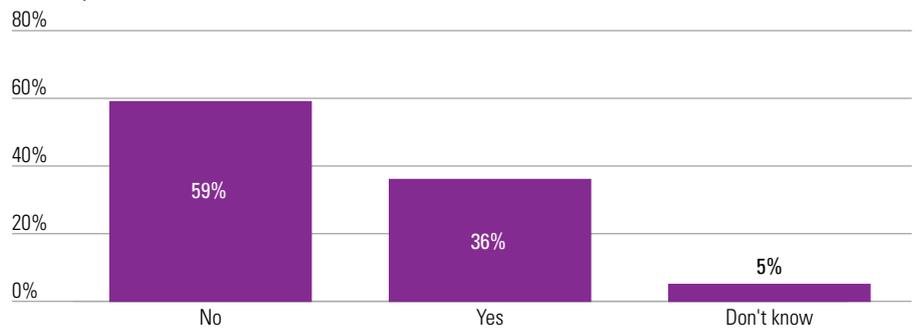
The most prominent finding of the 2010 Project Management Survey is the absence of benefits management practices in most organisations.

Our data shows almost 60 percent of organisations do not have formal benefits measurement and realisation processes in place. This suggests that significant value is being lost.

With benefits poorly defined and/or measured, how can organisations truly understand whether they are achieving a return on their investments?

Does your organisation have a formal benefits measurement and realisation process in place?

% of respondents



“The commitment to monitoring the benefits of a project once completed is minimal to say the least. Who has time to measure the benefits of one project when you have multiple others overdue and waiting for initiation?”

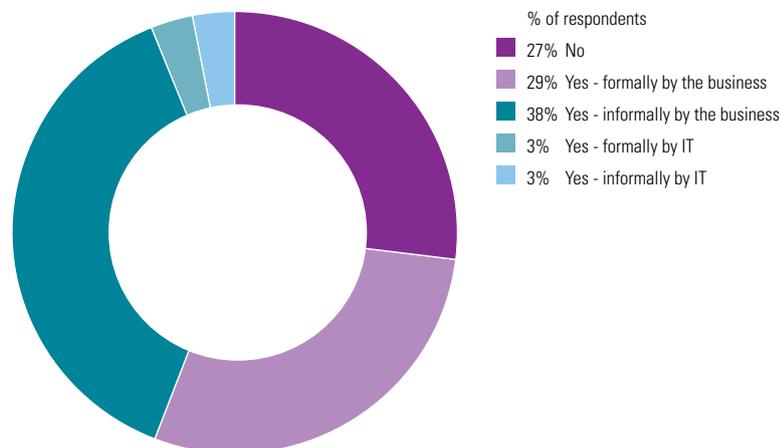
PMO Manager
communication organisation

The benefits story worsens

More than a quarter of organisations surveyed do not undertake any form of strategic reviews to track the benefits realised by the business.

Only 32 percent of organisations report that the business tracks benefits until they are realised and formally reported on.

Does your organisation undertake strategic reviews to track the benefits realised by the business?



How well are project commitments being kept?

Project performance is patchy

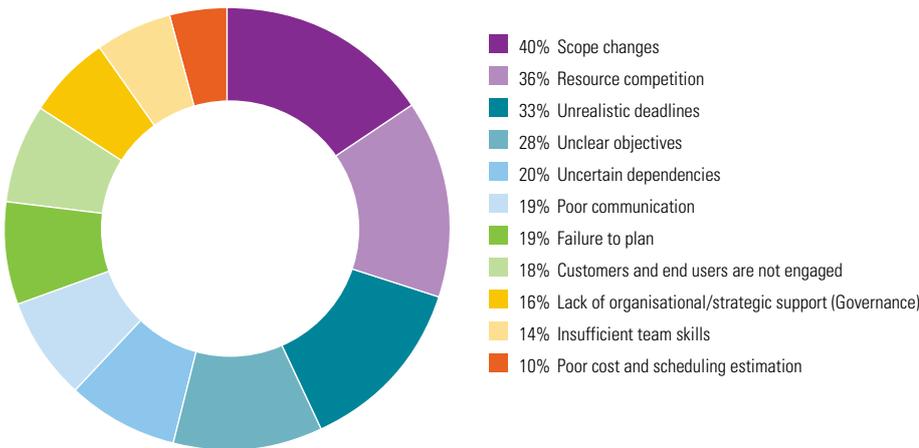
Our survey findings indicate that 70 percent of New Zealand companies have experienced at least one project failure in the past 12 months.

This is a worsened situation from our 2005 survey where 49 percent had experienced at least one project failure over the prior year and a modest improvement from our 2002-2003 survey where 57 percent had experienced at least one project failure.

Why are projects failing?

The survey identified that the three main reasons for failure included scope changes, competition for resources and unrealistic deadlines.

Reasons for project failure



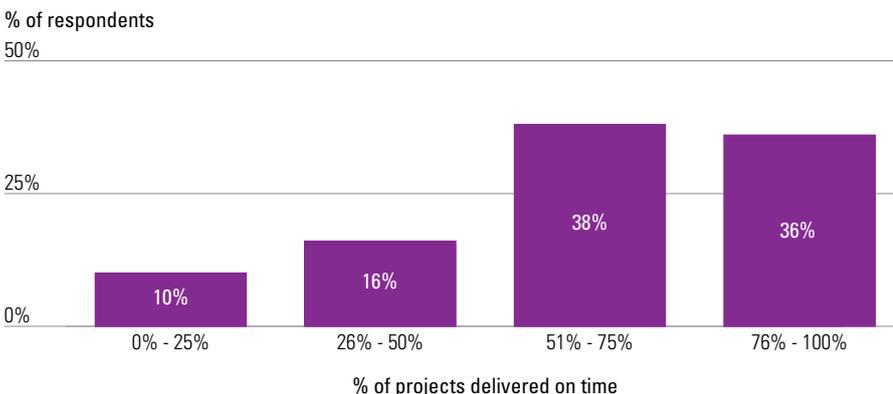
Performance attributes

Results show that projects undertaken by New Zealand companies often perform poorly in at least one of the following areas – lack of timely delivery, cost (project runs over budget), or inability to achieve the stated deliverables.

Delivery on time

Only 36 percent of organisations reported that their projects were consistently delivered on time.

What percentage of projects are delivered on time?



The price of failure

Project success is often a matter of interpretation. For many organisations project success appears to equate to merely achieving an acceptable level of failure.

Our international experience tells us that on average, companies are forfeiting up to one quarter of the promised business case benefits across their entire portfolio commitment and our data suggests that New Zealand organisations may share similar experiences.

“Make it measurable – in our experience, the setting of achievable, measurable goals is one of the strongest predictors of project success”

Souella Cumming
Partner, Risk Advisory
KPMG

Capturing the benefits

A 'benefits driven' measure of project success means greater accountability and raised expectations at every stage of the project lifecycle. It requires increased project governance from initial scrutiny over the business case, through to enhanced processes during the post-project completion.

Without a rigorous approach to benefits capture, organisations risk benefits leakage – not all the benefits will be extracted.

Many of the organisations without benefits management capability commented that this was on their short-term agenda.

“The latest CHAOS results show a decrease in project success rates, with 32% of all projects being delivered on time, on budget, with required features and functions”

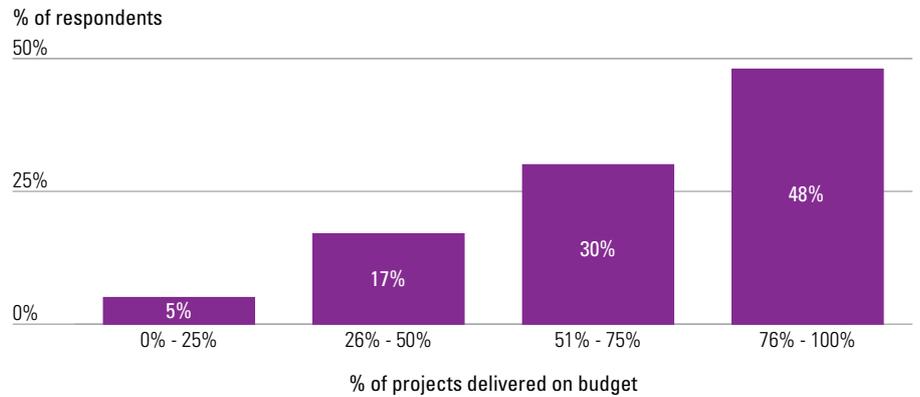
CHAOS Summary for 2010
Standish Group

Delivery on budget

Less than half of respondents reported that projects were consistently delivered on budget.

22 percent of organisations reported that less than half of their projects were delivered on budget.

What percentage of projects are delivered on budget?

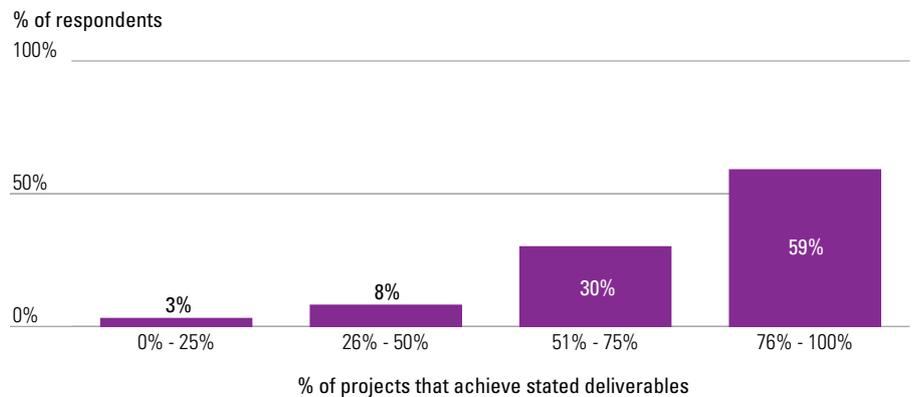


Achievement of stated deliverables

59 percent of organisations reported that more than three quarters of their projects successfully delivered their stated deliverables.

However, over 40 percent of respondents stated that they did not consistently achieve stated project deliverables.

What percentage of projects achieve stated deliverables?



The need for stronger governance

While the discipline of project management is maturing in professionalism and profile, there are still organisations who are failing to benefit from effective project governance and alignment to organisational strategy.

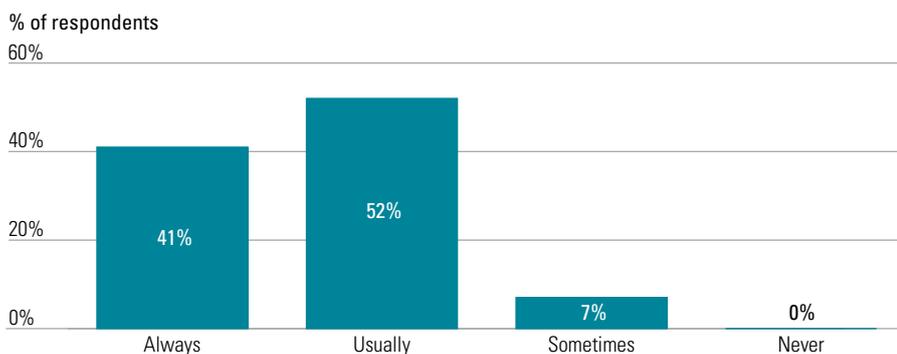
Governance is the process of assessing, directing and monitoring whether benefits or business outcomes are being achieved from projects. Governance over projects assures answers to key organisational questions:

- How closely aligned are my projects with my business strategy?
- Do I clearly understand the value I will receive from my project investment and when will I receive it?
- What are my key project risks?
- How do all my projects impact each other?
- Which project should have priority over others?
- Which are my under-performing projects?
- What is my organisation's capability and capacity to deliver and absorb all this change?

Strategic alignment

In New Zealand, organisations still have some way to go to ensure they are selecting the right project; nearly 60 percent of New Zealand companies fail to consistently align their projects with corporate strategy.

Are projects that the business undertakes aligned with the corporate strategy of the organisation?



End-to-end governance is critical

Governance plays a key role in fostering project success and delivering value. Effective project governance needs to run end-to-end, starting with an in-depth business case at a minimum.

Good governance over projects means establishing effective processes that extend throughout the lifecycle including:

- initiating projects with a robust business case
- funding projects which yield the greatest value
- funding based on performance
- ongoing monitoring of projects
- measuring the value received
- ensuring clear and unified lines of accountability and control
- terminating projects that are unlikely to deliver an acceptable level of benefit

“An experienced and effective Sponsor is the single biggest factor contributing to project success. Delivering projects successfully is about getting the right people on board, and keeping them there!”

Perry Wooley
Director, Project Advisory
KPMG

“Doing the right project is just as important as doing the project right.”

Gina Barlow
 Director, Project Advisory
 KPMG

Control of funds is an important aspect of project governance

While rigour might surround the initial approval of funds, in our experience globally, governance then tends to ‘fall away’. Often the supply of funds to a project is all up-front, rather than access to funds being subject to the achievement of particular milestones.

What makes some organisations more successful than others?

There is no one single answer to this question. Success is driven by a combination of factors, each working in tandem to produce desired outcomes.

The key element appears to be an appropriate governance framework – to complement planning and prioritisation of activities and to help ensure execution controls are in place until benefits are realised.

Executive sponsorship

The project sponsor has a critical role to monitor and control the project at strategic level, steering a project back on track if it runs into difficulties along the way.

One of the fundamental reasons why projects fail is the lack of executive sponsorship and management buy-in.

68 percent of companies do not always have an effective Sponsor to provide clear direction for the project or to escalate problems when necessary.

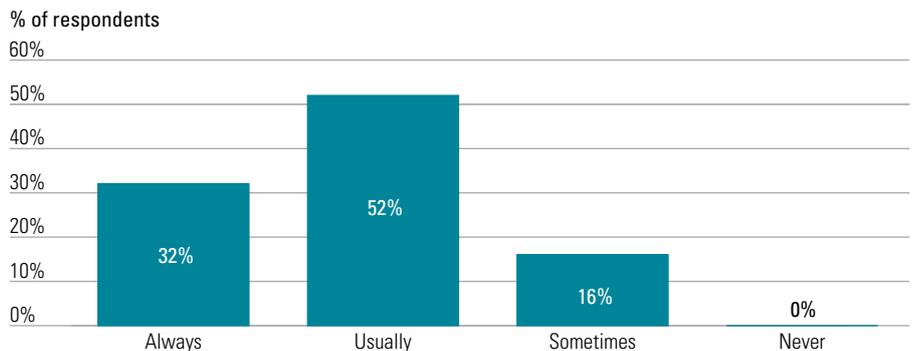
The Business Case

The Business Case is a living document; used to obtain and maintain management commitment and approval throughout a project’s lifecycle.

It is encouraging to see that that Business Cases are the norm in the majority of organisations surveyed – 32 percent of organisations surveyed always initiated projects with a Business Case.

However, our experience suggests that although Business Cases are often present, critical aspects such as the articulation of project scope, availability of resources, project objectives and certainty on the timeline are often missing or poorly presented.

Are projects initiated with a fully defined business case supporting the investment?



“We are slowly moving towards recognising that the business must both lead and govern projects”

Government Sector Respondent

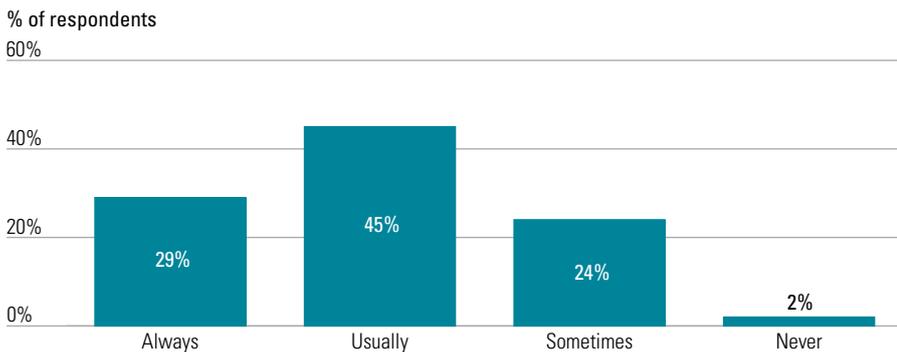
Project monitoring and reporting

The Project Board must receive the right information at the right time to enable them to fulfil their key governance role.

Investment Committees, Steering Committees and Project Management Offices (PMOs) need timely and accurate information in order to facilitate effective governance of programmes and projects. New Zealand organisations reported that practices were inconsistent on this attribute.

Only 29 percent of respondents consistently practice timely and accurate monitoring and reporting of project variations.

Are project variations of time and cost reported, and recovery actions implemented?



Project management methodology and capability

A structured project management method provides a framework for the achievement of project objectives through controlled planning, delegating, monitoring and management of all aspects of the project.

Only 6 percent of New Zealand companies surveyed were equipped with excellent project management capabilities and only 28 percent of organisations had project managers who always use a project management methodology.

The courage to cancel

The courage to cancel a project that looks unlikely to achieve benefits is an important aspect of effective project governance. We recognise that outright cancellation of a project or initiative is often difficult – for either logistical or political reasons.

We have observed that in many circumstances project cancellation means a renaming exercise, or potential fragmentation of prior initiatives. However, a ‘brave’ decision in the short-term could save a great deal in the longer term. The decision to cancel a project unlikely to deliver expected benefits should not be seen as a failure – failing to cancel such a project should be.

Link project benefits to operational measures

Consistent application of strategy throughout the organisation is key to success. Yet, few organisations are prepared to link Sponsor commitments (project benefits) to operational measures. In our experience, few integrate benefits to operational plans and/or profit and loss statements.

“It’s in our human and organisational natures to take on more risk. The better we get at it, the more we take on. The plus side is greater returns for our organisations, the down-side is complexity risk that we do not fully understand, and a constant if not increasing risk of failure.”

Grant Avery
Director, Project Advisory
KPMG

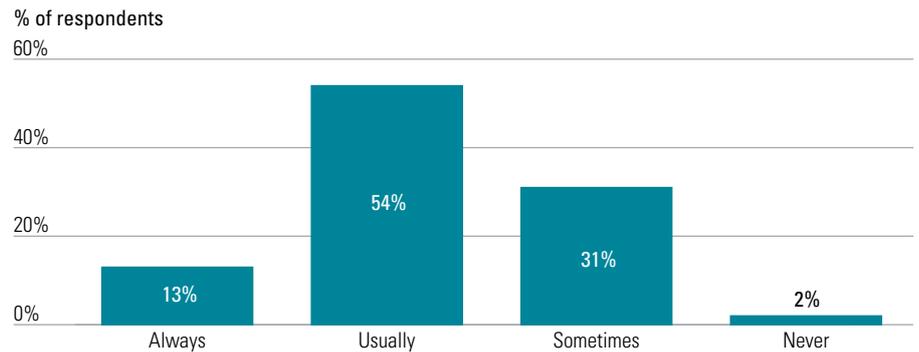
Risk management

The systematic identification and assessment of risk and the consistent planning and implementation of risk responses are both critical elements of project management.

Without effective risk management processes, organisations cannot effectively identify, assess and control the uncertainty inherent in a project.

Worryingly, only 13 percent of our respondents always take risk management into account.

Do project managers consistently apply a risk management methodology throughout the lifecycle of the project?



High performers are leading the way

Our survey identified a small number of organisations (30 percent) who self-identify as consistent high performers on the three attributes of delivery to time, to cost, and achievement of stated deliverables.

These high performers come from both the public and private sectors, cover the full range of organisational sizes, and spend varying amounts of money; however our findings indicate that they all share a number of characteristics in the way they run projects.

What do the high performers have in common?

They co-ordinate projects through a Project Management Office

Our survey found that organisations who co-ordinate their projects through a PMO achieve significantly better project outcomes.

Relationship between usage of a PMO and achievement of outcomes

	Without PMO	With PMO
Consistently delivered on time	9%	39%
Consistently delivered on budget	27%	49%
Consistently achieved stated deliverables	36%	61%

They take a programme or portfolio view of projects

Our survey results showed that those organisations who took a wider portfolio view of their projects achieved stated deliverables more often than those who ran projects in isolation.

Relationship between usage of a programme or portfolio view and the achievement of stated deliverables

	No wider structure	Projects managed within a programme of work	Projects managed within an overall portfolio
Consistently achieved stated deliverables	25%	58%	70%

Survey results also revealed that those with very good or excellent project management capabilities chose to run their projects within a portfolio or overall programme of work more often than those with lower levels of project management capability.

Attributes of project success

Our data shows that organisations that are more successful in their projects:

- have high level project management capabilities
- have projects that are aligned with corporate strategy
- deliver projects within a programme of work or a portfolio
- co-ordinate projects through a Programme or Project Management Office
- provide for effective sponsorship which delivers clear direction for the project and escalates problems when necessary
- initiate projects with robust business cases
- actively manage risks
- practice regular reporting, with accurate and up to date information
- report variations and implement recovery actions
- ensure that their project managers use a methodology

Integrated governance is key

A systematic collection of practices controlled through an integrated governance regime will help to optimise your success rate – more commitments will be kept and more benefits realised.

“Coming up with the strategy is the easy part. Executing it is the challenge.”

Anon

They initiate projects with a fully defined Business Case

Results indicate that initiating projects with a fully defined Business Case is linked to better project outcomes in terms of time and achievement of stated deliverables; however the relationship to delivery on budget is not as strong.

Relationship between usage of a fully defined business case and achievement of outcomes

	Sometimes has a fully defined Business Case	Usually has a fully defined Business Case	Always has a fully defined Business Case
Consistently delivered on time	21%	38%	41%
Consistently delivered on budget	50%	42%	59%
Consistently achieved stated deliverables	64%	45%	76%

They apply a risk management methodology to projects

Our survey results show that those organisations that are more consistent in their application of a risk management methodology tend to achieve more consistent delivery to time and budget, as well as more consistent achievement of stated deliverables.

Relationship between the application of a risk management methodology and achievement of outcomes

	Sometimes applies RM methodology	Usually applies RM methodology	Always applies RM methodology
Consistently delivered on time	11%	43%	75%
Consistently delivered on budget	25%	61%	64%
Consistently achieved stated deliverables	36%	68%	82%

The golden rules – getting value from your investments

The survey results confirm our thinking around project performance and the real value being derived (or not derived) from project investments.

The following 'golden rules' summarise what organisations can do to extract more value from their project investments and enable them to meet commitments more of the time.

These key practices should be considered at an organisational rather than a project or programme level as most involve changes to the way that an organisation views and governs.

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.

The framework should enable informed decisions to be made using a consistent approach. The governance framework influences each project and includes consolidated project performance reporting which is delivered to the executive.

Prioritise to realise

Establish an enterprise-wide prioritisation process that objectively and continuously evaluates projects to help maximise and realise the value from an investment.

Consider 'stage gate' funding as part of this process, whereby project funds are realised subject to the successful achievement of certain performance hurdles for each milestone. The 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.

Align and adjust

Aim to ensure all initiatives are clearly aligned with business strategy. Where appropriate, adjust to maintain alignment for reinvesting funds elsewhere.

Forcing projects to justify how they will contribute to the achievement of business goals enhances business alignment, directs funds towards essential projects and enables more effective prioritisation between projects. Project demand often outstrips project supply, so this mechanism enables objective investment assessments.

Safeguard value

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

Implement robust benefits capture and measurement processes together with clearly defined accountabilities. These processes should enforce regular reporting to the executive on the status of benefits capture and measurement. Impose, as part of required project discipline, the requirement to develop a benefits management plan for projects. This plan will define the What, When, Who and How of project benefits.

Hold to account

Clearly define individual accountability for realising benefits including integrating proposed benefits with operation plans and budgets.

Communicate clearly, as part of the business case funding phase, who is accountable for delivering value from project investments. Define how this will be measured, carefully scrutinise the planned benefits and have those operational management divisions who are impacted by the project also sign off on the proposed benefits.

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.

Recognise project management as a core competency, and implement frameworks, together with supporting project management support and infrastructure, to raise your organisation's ability to deliver value from project investments.

KPMG Project Advisory

Project Advisory Services can generate significant cost savings by minimising poor selection decisions, costly overruns, misalignment with business needs, poor quality deliverables and failed projects

Is your project on track? Are the key risks and issues being effectively managed and addressed? Are your projects fully delivering anticipated benefits? Have you developed a robust Business Case which will be supported by key stakeholders and senior leaders?

KPMG can help you

Independent Quality Assurance (IOA) is KPMG's approach to providing objective, practical and open feedback to senior executives, independently assessing project status, risks and issues. Advice is provided by experienced staff that are not part of the delivery team.

Areas of specialised IOA experience which KPMG possesses include:

- Treasury's Better Business Cases (BBC) guidance
- State Services Commission's guidelines for monitoring and managing major projects
- Investment Logic Mapping (ILM)
- The Gateway Peer Review process and its relationship to IOA
- P3M3 – advising your organisations portfolio, programme and project management capabilities

Our practitioners know that successful projects don't occur accidentally. They're the result of clear vision, careful planning, and meticulous execution. Technology is a cornerstone of any business's short-term viability – and long-term profitability. That's why companies need to take decisive steps to minimise the risks inherent in the technology initiatives which their businesses rely on to continue operating, growing, and delivering value to their customers.

Bottom line

Whether it is a technology enabled business change project or a complex business outcomes improvement programme our Project Advisory team will reduce your risks and ensure a successful outcome.

Benefits include:

- Cost reduction through reallocation of resources toward more productive projects
- Supportive stakeholders and increased benefits delivery
- Continuous alignment of products, programme, and projects with overall business goals
- Evaluation of the effectiveness of project management controls for senior management or external parties (e.g. regulators)
- Improved likelihood of success by providing proactive advice on how to enhance processes and controls
- Validation and verification of contractor deliverables by leveraging deep qualifications of KPMG subject matter experts

“Our practitioners know that successful projects don't occur accidentally. They're the result of clear vision, careful planning, and meticulous execution.”

Gina Barlow
Director, Project Advisory
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