

The State of Project Portfolio Management (PPM)

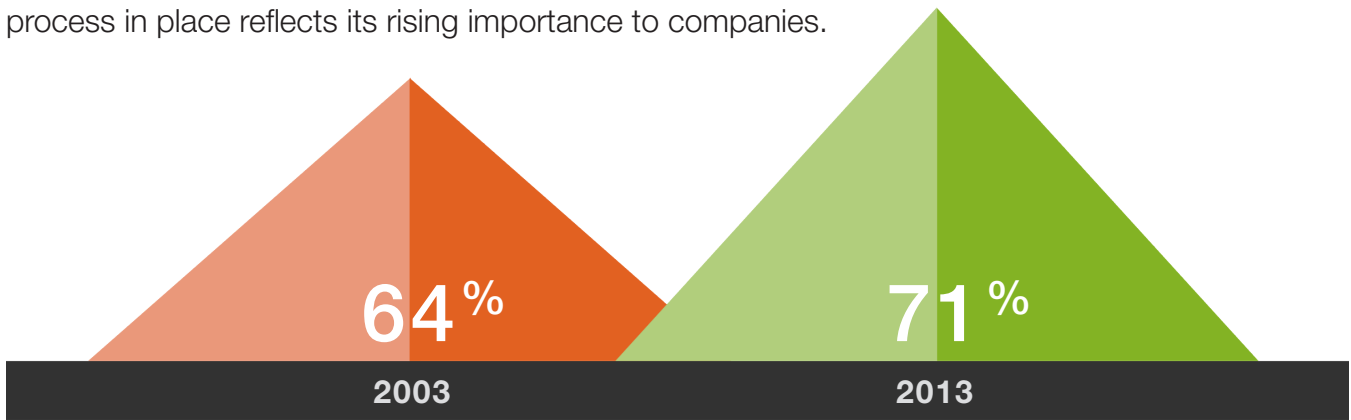
2013

INTRODUCTION

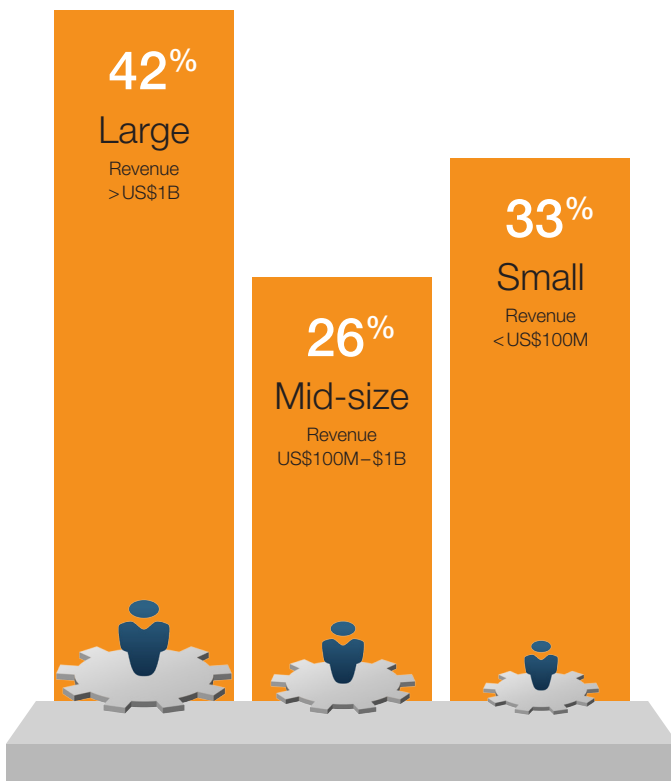
PM Solutions Research first surveyed organizations about their Project Portfolio Management (PPM) practices in 2003. A decade later, we've taken another look at a phenomenon that is changing the way organizations are managed and narrowing the gap between project/program management and corporate leadership. Our findings are encouraging and, at the same time, indicate those areas that organizations need to focus on to optimize the value of PPM. We had 495 respondents to this survey.

Percentage of Firms with a PPM Process in Place

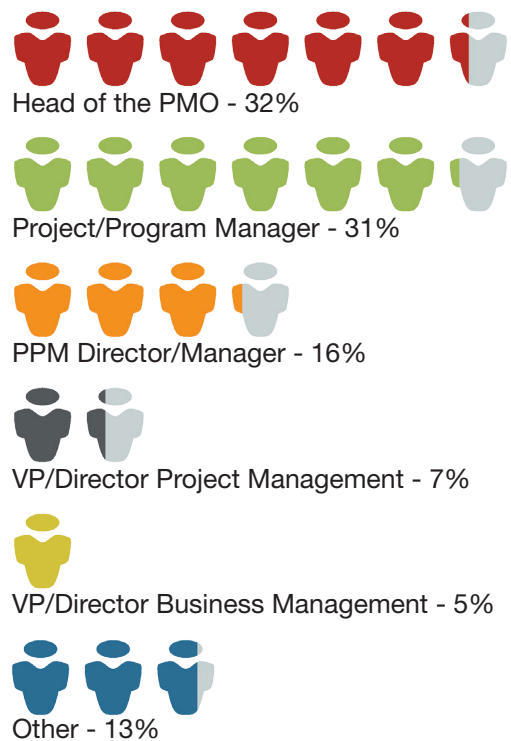
Growth in the number of firms with a project portfolio management process in place reflects its rising importance to companies.



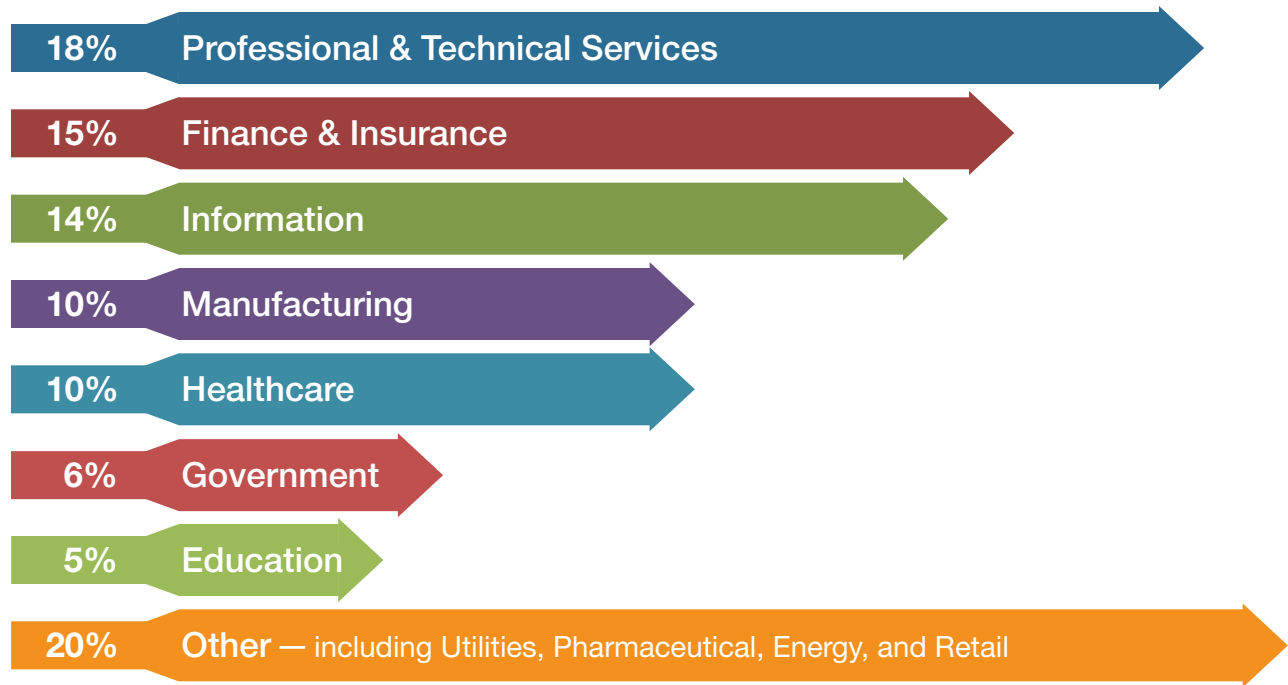
Respondents by Size of Firm



Respondents by Title



Respondents by Industry



Respondents by Geography

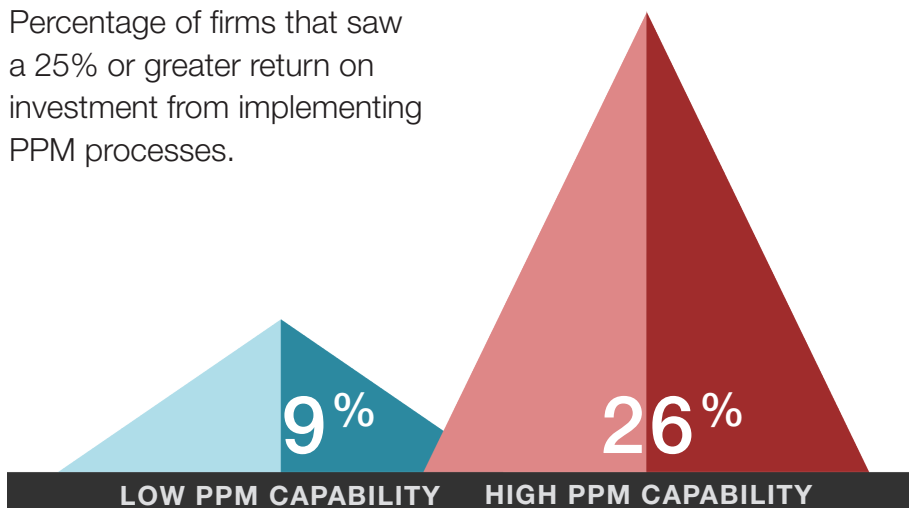


SUMMARY FINDINGS

- » A majority of firms (71%) have a PPM process in place.
- » A majority of firms (60%) use PPM processes and practices at the enterprise level.
- » The PMO is responsible for PPM in about a third (30%) of firms.
- » More than half (55%) of all firms review their portfolios monthly.
- » About half (46%) of firms offer basic PPM training.
- » Respondents would like to see their firms offer much more training on PPM-related topics.
- » Only 16% of firms are using PPM processes and practices consistently throughout the enterprise.
- » The biggest PPM pain points are resource management, project selection/prioritization, and adoption challenges.
- » Firms at higher levels of PPM maturity see a greater ROI in using PPM processes.

Higher PPM Capability Leads to Greater ROI

Percentage of firms that saw a 25% or greater return on investment from implementing PPM processes.



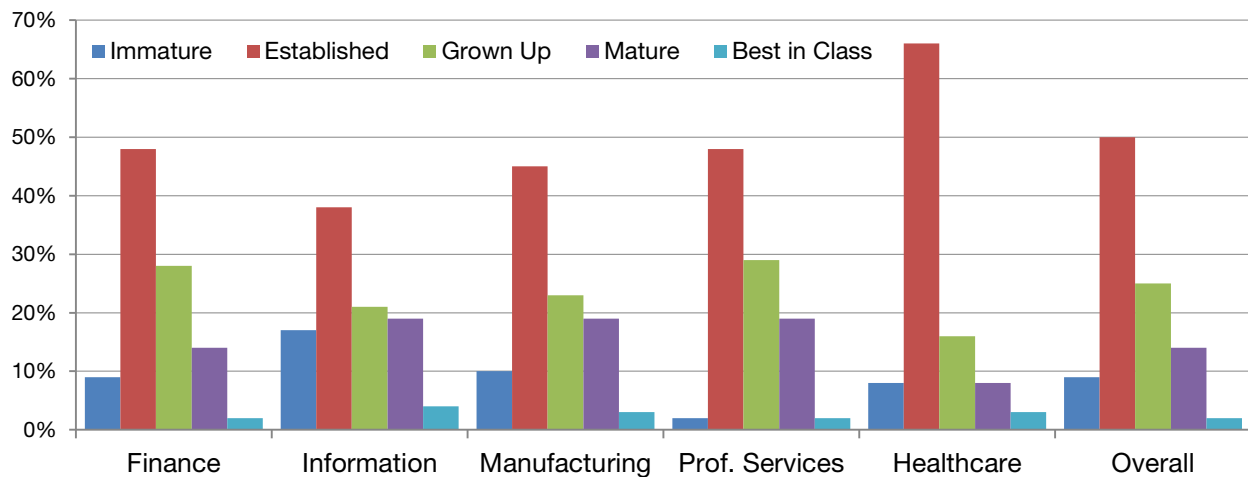
MORE ORGANIZATIONS, WIDER RESPONSIBILITY

Not surprisingly, our call for survey participants brought in a far larger number of responses than in 2003 – nearly 10 times as many, in fact. Among these respondents, a majority (71%) have a PPM process in place, while of those that do not, over half (52%) plan to implement one within in the coming year. Thus 2013 looks to be the year in which PPM becomes a standard feature of organizational life.

Those who have been advocating for PPM as a strategy for better resource management and business outcomes may feel that this progress has been slow; but our study's examination of the levels of capability in PPM processes and the challenges that organizations face in both implementing and improving them, shows that, while PPM can rapidly show value simply by cataloguing projects and reducing duplication, it also represents the type of cultural change that takes time and executive support to institutionalize.

One very positive finding is that organizations no longer list lack of organizational support among the top three barriers to PPM implementation, as they did a decade ago. The interest in PPM at the executive level is also visible in the findings that 60% of organizations now perform PPM at the enterprise level, and over three-quarters include 80 – 100% of the organization's projects in the portfolios they manage. When you look at these organizations' reported levels of capability and value, it's not hard to understand why PPM has both risen to the enterprise level and broadened its reach to encompass all the enterprise's work.

PPM Capability of Firms by Industry



WITH CAPABILITY COMES VALUE

We asked respondents to rate themselves on a PPM capability scale of 1 to 5 (see PPM Capability Defined to the right). This yielded an average capability score of 2.5. More than half (59%) of all respondents are at PPM capability levels 1 or 2. While this is only slightly less than 2003 (61%), the steady score at Levels 1 and 2 is partly explained by the large number of organizations in the study for whom PPM is a relatively new practice.

There's a strong correlation between the length of time a PPM process has been in place in organizations and their PPM capability—43% of Level 1 Capable organizations have had a PPM process in place less than six months, while 71% of Level 5 Capable organizations have had a PPM process in place more than five years.

But where the value of improving PPM capability really stands out is in the statistics related to the return on investment (ROI) in PPM.

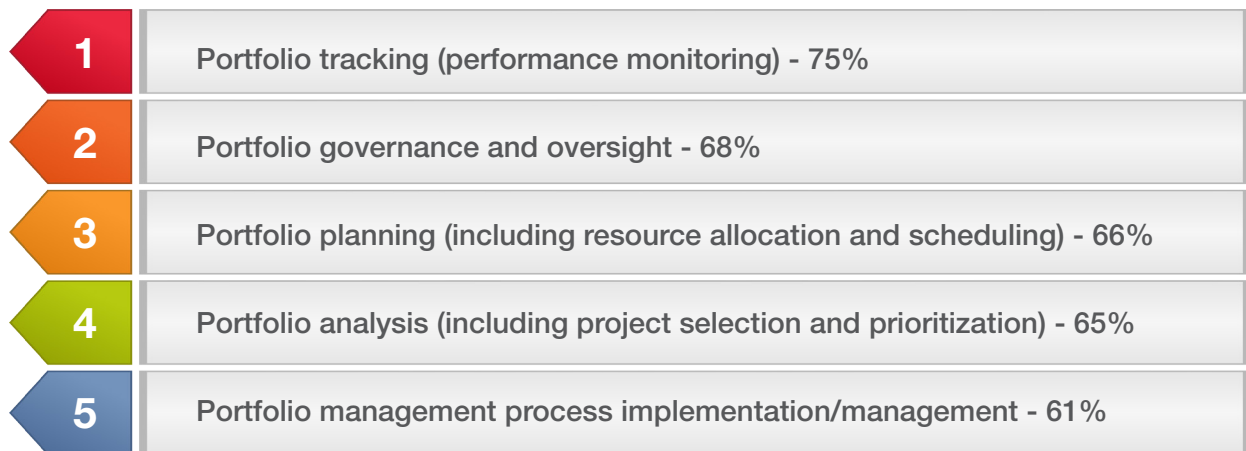
Organizations overall report a poor understanding of the ROI of their PPM practice: A majority of organizations (59%) still don't know what their PPM return on investment is. This compares to 71% in 2003, so there has been some significant progress.

Of those who do measure ROI, most (63%) have seen an ROI of 10% or more and many (16%) have seen an ROI of 50% or more. So, while there is still a lot to do in terms of measuring the value of PPM, it seems clear that those organizations that make the effort to track value measures find a strong financial argument in favor of continued PPM improvements. Most striking is the correlation between capability level and ROI: For example, 3% of Level 1 organizations, 16% of Level 3 organizations, and 57% of Level 5 organizations experienced more than 25% ROI from implementing PPM. Grouping the respondents in two sets, Low Capability (Levels 1 and 2) and High Capability (Levels 4 and 5), the difference is even more striking (see figure on page 4).

PPM Capability Defined

- » **Best in Class:** Continuous improvement of standard PPM processes used enterprise-wide
- » **Mature:** Standard PPM processes used consistently enterprise-wide
- » **Grown Up:** Standard PPM processes used consistently at business unit level
- » **Established:** Basic PPM processes used inconsistently at business unit level
- » **Immature:** No formal PPM processes; PPM processes ad hoc

Top 5 PPM Functions



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PPM FUNCTIONS

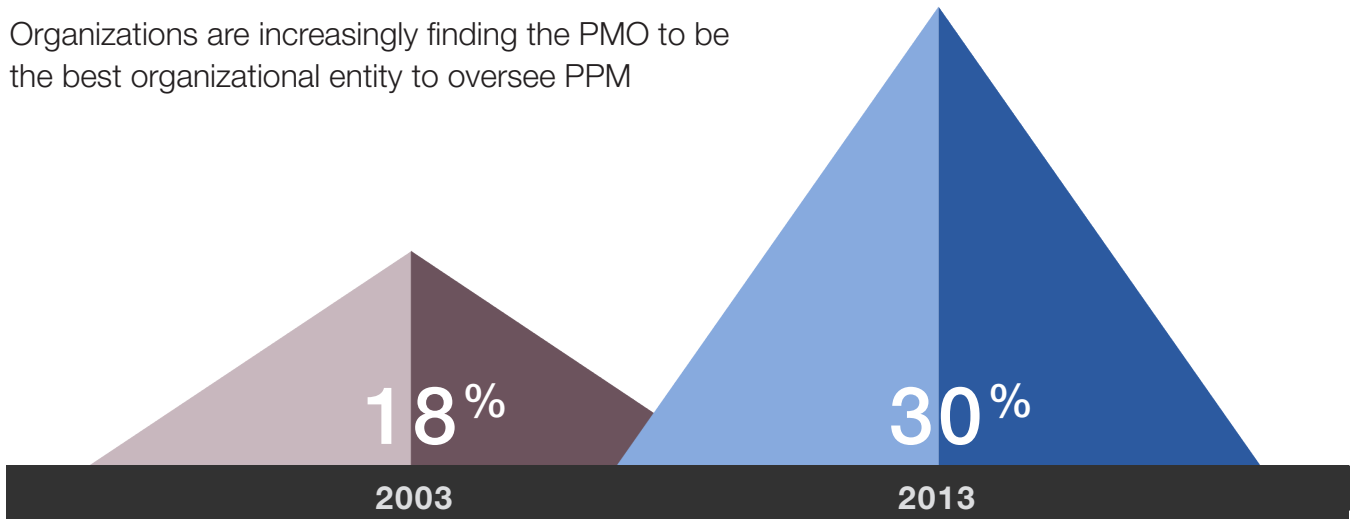
There is a strong correlation between the organization's PPM capability and the number of PPM functions the organization engages in. For example, portfolio management process implementation/management is engaged in by 43% of Level 1 Capable organizations, 62% of Level 3 organizations, and 100% of Level 5 organizations.

There's been a significant change in the frequency of portfolio review over the past decade. Over half (55%) of the organizations surveyed review their project portfolios monthly, compared to 34% in 2003, and a quarter (23%) of them review their portfolios quarterly (compared to 37% in 2003). This reflects not only the increased speed at which organizations today want to respond to market drivers, but also the facility with which today's PPM software and processes are able to churn the data.

Organizations are more likely to review their project portfolios monthly where the PMO is primarily responsible for PPM (64%) than in organizations where the business is primarily responsible (52%). They are more likely to review their portfolios quarterly where the business is primarily responsible for PPM (26%) than in organizations where the PMO is primarily responsible (17%). Reading between the lines of this data, we suspect that it isn't so much that the business prefers to review the portfolio less frequently – but that the PMO is simply more skilled and facile at turning around the review process.

Percentage of Firms with the PMO Responsible for PPM

Organizations are increasingly finding the PMO to be the best organizational entity to oversee PPM



PPM AND THE PMO

Another sign that organizations are increasingly finding the PMO the best organizational entity to oversee PPM is that, since 2003, the percentage of PMOs with primary responsibility for PPM has grown dramatically, from 18% in 2003 to 30% today. PPM responsibility has moved away from individual C-level and business unit executives and towards committees and the PMO. Besides showing a strong confidence in the PMO, this indicates that the wisdom of involving a variety of stakeholders in the PPM process is taking hold.

Still, in a majority of organizations (62%) PPM remains the responsibility of the business. The percentage of organizations doing PPM with strategic planning committees, for example, has grown from 5% in 2003 to 15% in 2013.

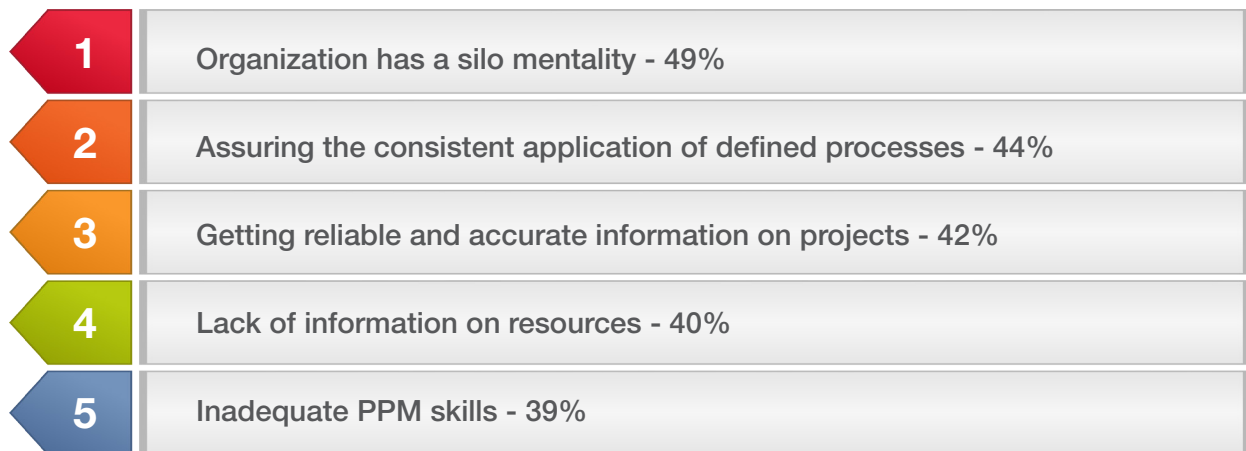
Issues still exist in the communication between the PMO and the business side. Organizations are more likely to see lack of executive support as a PPM challenge where the PMO is primarily responsible for PPM (32%) than in organizations where the business is primarily responsible (21%). They are also more likely to see assuring the consistent application of defined processes (51% vs. 40%) as a challenge.

Top 5 Benefits of PPM

- » **Alignment:** Projects are better aligned to the organization's strategy
- » **Execution:** The organization's strategic plan is better executed
- » **Satisfaction:** Project customers are satisfied
- » **Balance:** The portfolio has a good balance of projects
- » **Focus:** The organization prioritizes the right projects and programs

Expect the PMO to continue taking a larger role in project portfolio management: 54% of firms that presently don't have PPM report planning to extend the scope of the PMO to include it.

Top 5 PPM Challenges



PPM CHALLENGES: SOME THINGS HAVEN'T CHANGED

In our 2003 PPM research the top challenges were getting accurate information on projects, lack of information on resources, and lack of broad organizational support. This time, lack of executive support is not often cited as a challenge. This is a welcome improvement; however, resource management headaches continue to plague organizations, in PPM as in most areas we have researched over the past decade.

Top PPM “Pain Points”

- » Resource Management
- » Project Selection and Prioritization
- » Adoption Challenges

The Top 5 PPM challenges are listed above. These last two are clearly resource issues, and the difficulty of assuring consistency in the use of PPM processes is also related to resource management. It may also be a reflection of the immaturity of organizational change management processes in many companies.

There's a strong inverse correlation between the percentage of organizations that face a variety of PPM challenges and the PPM capability of the organization. For example, a lack of executive support is a challenge to 34% of Level 1 Capable organizations, 19% of Level 3 Capable organizations, and 0% of Level 5 Capable organizations.

We also asked respondents to tell us their top PPM “pain points” in the form of an open-ended question, generating hundreds of responses. Generally, these pain points – which we think of as being perhaps more intractable and frustrating than mere “challenges” sorted into three general areas: resource management, project selection and prioritization, and adoption challenges.

Top 3 PPM-Related Training Courses That Respondents Would Like Their Firms to Offer

The courses most often offered today are PPM basics and specific PPM software end-user training.



ADDRESSING THE CHALLENGES

Organizations seem poised to combat their primary challenges in a variety of ways.

TRAINING: Most organizations (80%) plan to overcome their challenges by improving their current PPM process in-house. More than a third (35%) plan to overcome their challenges by offering training in PPM—a sign that they have correctly identified resource management issues as a primary problem. The numbers also tell us that this approach is likely to be successful: there is a strong correlation between the number of PPM-related training courses offered by organizations and the PPM capability of those organizations. For example, PPM basics is taught in 38% of Level 1 Capable organizations, 46% of Level 3 organizations, and 80% of Level 5 organizations. Strong evidence that training and capability go hand in hand!

About half (46%) of organizations offer project portfolio management basics training; and only 13% offer advanced PPM training.

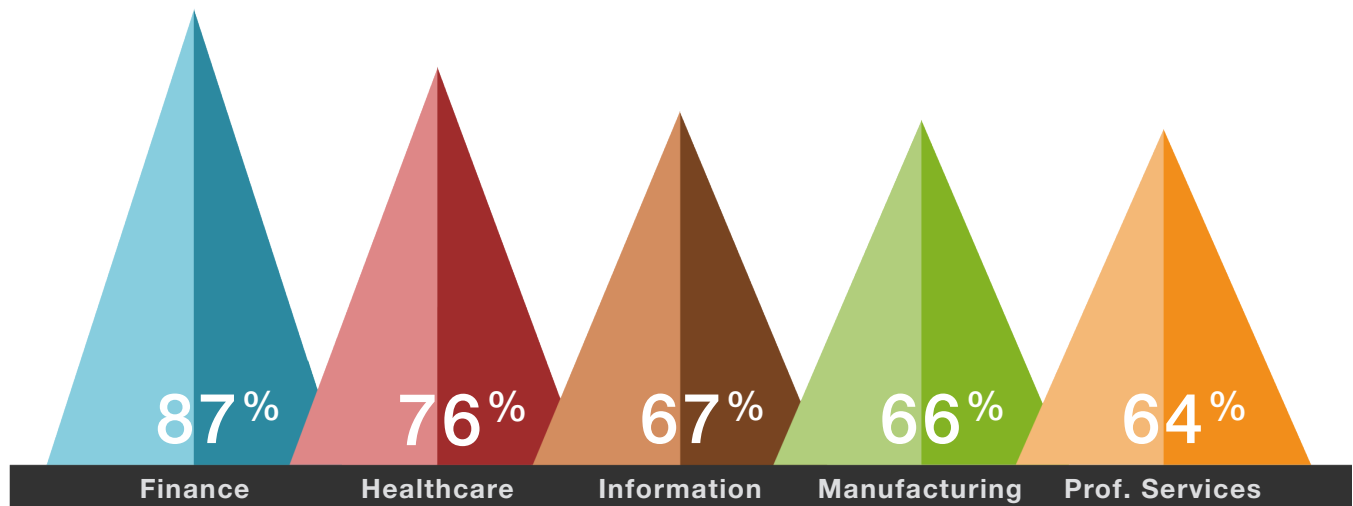
Respondents would like to see their organizations offer much more training on PPM-related topics, especially on strategy and portfolio management (58%), executives guide to PPM (55%), and advanced PPM (49%).

TECHNOLOGY: Software, while undeniably useful to PPM, has settled into an appropriate level of importance as facilitator rather than keystone. Less than half of respondents (44%) offer training on using specific PPM software tools, and only mid-size organizations report a reliance on implementing new PPM software to improve their processes. In fact, the reporting organizations are remarkably free of a “tool-dependent” approach to PPM. Almost half of the organizations surveyed use Microsoft Project (48%) and/or Microsoft Excel or other spreadsheet (49%) to manage their portfolios, which is significantly more than all other software products combined.

HELP FROM THE OUTSIDE: Some respondents also report plans to hire an outside consulting firm to help them overcome challenges to implementing an effective PPM process. Level 1 Capable organizations are far more likely to use this approach than those at higher levels of PPM capability.

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Firms with PPM Process in Place - By Industry



Financial services organizations were early adopters of project portfolio management. Currently 87% of financial services firms have a PPM process in place.

PPM IN CONTEXT

In comparing the study results for a number of factors, we see how PPM is customized to various business environments.

INFORMATION TECHNOLOGY: About half (52%) of responding organizations' IT departments do PPM. IT departments are more likely to do PPM in organizations where the PMO is primarily responsible for PPM (62%) than in those where the business is primarily responsible (49%). This probably reflects the wide adoption of the PMO structure by IT departments. Thinking about the way, historically, many enterprise-level PMOs have gotten their start within the IT function, we suspect that, where IT departments succeed at PPM and in particular at managing the resource issues around portfolios, these practices may migrate from IT to the enterprise level over time.

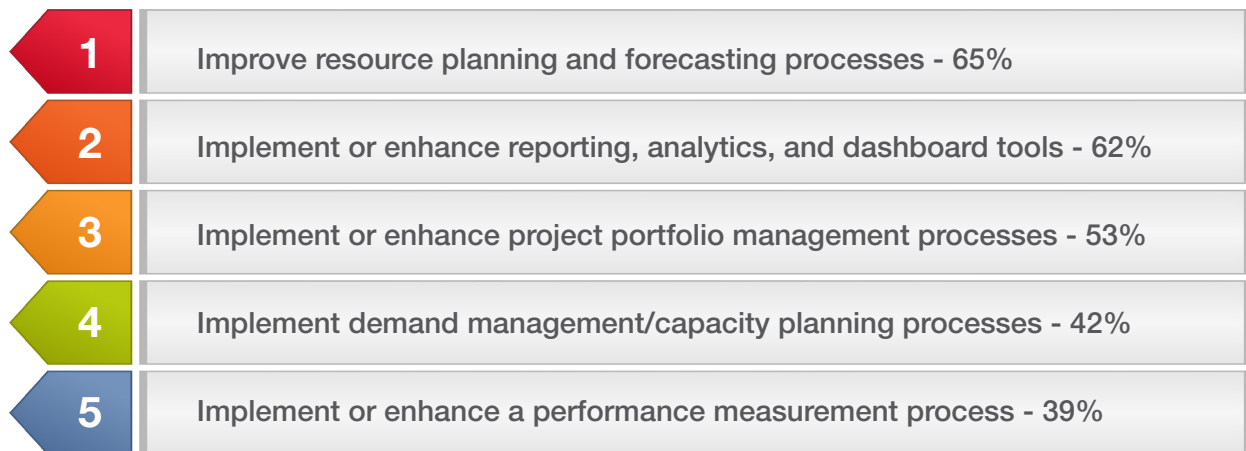
INFORMATION INDUSTRY: Information organizations (85%) are far more likely to engage in portfolio planning than those in other industries (66% overall). They are also more likely to engage in portfolio resource management (74% vs. 56% overall).

FINANCIAL SERVICES INDUSTRY: Finance organizations (87%) are more likely to have a PPM process in place than organizations in other industries (71% overall). This profile of early adoption of PPM may be related to the familiarity of finance organizations with the concepts of portfolio management in the financial arena.

HEALTHCARE INDUSTRY: Of those organizations without a PPM process in place, healthcare organizations (83%) are far more likely to implement one within the next year (52% overall)—not surprising in an industry facing transformational changes in regulation and markets. Healthcare organizations (78%) are far more likely to facilitate executive involvement in the PPM process than those in other industries (52% overall). They are also more likely to engage in portfolio analysis (81% vs. 65% overall) and portfolio tracking (92% vs. 75%).

MANUFACTURING INDUSTRY: Manufacturing organizations (29%) are far less likely to engage in portfolio risk management than those in other industries (44% overall).

Top 5 PPM Priorities Over the Next 12 Months



THE YEAR AHEAD

Firms reported an array of priorities for the next 12 months; the top five are shown above. Improving resource management is a top concern for a majority (65%) of firms, with implementing or enhancing reporting and analytics a close second (62%).

Firms without a PPM process in place are much more likely to list a variety of high priorities over the next 12 months. This is a telling detail: the lack of a rigorous process around setting priorities seems to be at work here, causing these organizations to have trouble properly identifying their own top issues!

The Outlook for Project Portfolio Management

The order and clarity of processes for selecting and prioritizing work, in our view, yields a healthier organization. As organizations become more skilled at resolving resource issues and better focused on tracking value measures, we expect to see the use and influence of PPM continue to grow.

Expect the PMO to continue taking a larger role: 54% of firms that presently don't have PPM report planning to extend the scope of the PMO to include it.

With organizations placing an emphasis on PPM training, we expect to see capability strengthened, while resource issues – particularly those caused by inconsistent adoption of PPM practices – begin to recede.

Likewise, the large percentage of firms that report an increased focus on improving reporting and analytics bodes well for improvement of resource management, as they begin to get a grip on resource availability and skills data.

Finally, for those firms starting with low (Level 1) or no PPM capability, the strategy of reaching out to consulting firms to implement PPM will pave the way to success. While our initial respondent pool of 50 pioneers in 2003 has had a decade to grow in capability, companies that are only now implementing PPM are behind the curve; professional help in implementing PPM processes and overcoming organizational change resistance may be the only way to catch up.

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About PM Solutions

PM Solutions is a project management services firm helping organizations apply project management and PMO practices to improve business performance. We are the leader in applying project and portfolio management processes and practices to drive operational efficiency for our clients.

Founded in 1996 by J. Kent Crawford, PMP, the former president and chair of the Project Management Institute (PMI®), PM Solutions delivers expert project management solutions and services to help organizations and their people perform to maximum potential. Comprehensive offerings include:

- » PMO transformation
- » Project portfolio management process improvement
- » Program and project management resources
- » Corporate training and competency development delivered through our training division, PM College®

PM Solutions' PPM Practice

For more than 15 years, PM Solutions has been helping clients drive business value through improved PPM capability. Our highly experienced consultants have the knowledge and skills required to help organizations get the “real” big-picture view of project activity. Armed with our five-level portfolio reporting model, we customize our services to help organizations successfully manage their unique business demands. Our PPM services include:

- » Assessments
- » Process improvement
- » PPM training
- » Resource management
- » Portfolio reporting & analysis
- » Organizational change management

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