



cutting through complexity

ADVISORY

# Project Management Survey Report 2013

Strategies to capture  
business value

July 2013

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# CONTENTS

- 4 Executive summary
- 6 2010 Project Management Survey recap
- 9 A global perspective
- 10 The New Zealand perspective
- 11 The four key Survey findings
- 12 **Key finding 01** – ‘Good practices’ correlate to project success
- 17 **Key finding 02** – Project activity and failure rates on the increase
- 20 **Key finding 03** – PMOs add value – but are becoming rarer
- 22 **Key finding 04** – Performance levels vary across industry sectors
- 24 KPMG’s key insights
- 28 Conclusion
- 29 How KPMG can help you
- 30 About the survey
- 31 About the authors
- 32 Appendix



# FOREWORD

At KPMG, we understand when businesses set out to change any aspect of their operations, they will inevitably embark on initiatives that are delivered through executing a project.

Project management is a key strategic tool to drive critical initiatives and reap their full value. Organisations that understand this – and are committed to improving the quality of their project management – will therefore have a strong competitive advantage.

We believe passionately that the performance and competitiveness of New Zealand businesses depends on their ability to execute projects well, and reliably deliver the expected results.

The KPMG 2013 Project Management Survey Report examines the real-life experiences of businesses who are working on the challenge of improving their project performance. It combines insights and trends from across New Zealand, with detailed analysis by our experienced project management practitioners.

## / A THANK YOU

### **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.



# EXECUTIVE SUMMARY

Every day, we see businesses respond to a challenging economic environment by deploying scarce investment funds in pursuit of a competitive edge. These initiatives, which are inevitably delivered via projects, represent significant investments for the organisations concerned.

Our experience and research demonstrates that organisations are not consistently delivering these commitments successfully. The required value from project investments is not being achieved – and consequently, the discipline of project management is coming under scrutiny.

Our 2012 survey provides a local perspective on this global challenge. Furthermore, by building on the results from our ground-breaking 2010 survey, we are able to provide further insights.

Some encouraging trends are emerging since our inaugural survey in 2010. We are seeing an increase in the number of projects being commissioned, as well as a renewed focus on accomplishing strategic objectives. However the picture is not all rosy. In general, this year's survey results show that organisations do not appear to be doing any better at capturing the business value of their projects.

The average reported spend per project is NZ\$15m – and our survey results indicate that only one-third of that spend is delivering the desired outcome. If those results are extrapolated across New Zealand's public and private sector organisations, it equates to a truly staggering waste of resources.

We believe our 2013 report provides a timely 'wake-up call' to the New Zealand business sector. It demonstrates that effective project management is a critical competitive differentiator, and highlights how some organisations are using it to outperform their competition.

This latest survey identifies a number of practices that are helping New Zealand organisations extract more value from their project investments, and to do so more reliably.



**This survey uses the following definition of a project:**

A project is a temporary group activity designed to produce a unique product, service or result.

A project is **temporary** in that it has a defined beginning and end in time, and therefore defined scope and resources.

A project is **unique** in that it is not a routine operation, but a specific set of operations designed to accomplish a singular goal. So a project team often includes people who don't usually work together – sometimes from different organisations and across multiple geographies.

**Project Management Institute**



# THE STARTING POINT: A RECAP OF OUR 2010 SURVEY FINDINGS

KPMG produced New Zealand's first major nationwide survey into project management in 2010. The survey concluded that many organisations were far from business-like in the way they conducted projects, which usually represented very significant investments.

From a representative survey of New Zealand organisations in 2010, we found:

- The average spend on projects was reported to be approximately NZ\$15m.
- More than two-thirds of organisations had experienced at least one project failure in the previous year.
- More than half of respondents did not attempt to align their projects with corporate strategy, and only one-third always prepared a business case for projects.
- More than half of the survey respondents did not consistently achieve the intended project results.
- Almost two-thirds of those surveyed did not attempt to measure the return on their project investments, and more than a quarter did not undertake any form of strategic reviews to track the resulting benefits achieved by the business.

The conclusion we drew from this data was that, for the majority of New Zealand organisations, embarking on any project appeared to be a 'leap of faith'. They were working in the hope, rather than the expectation, of delivering the required outcomes.

This led us to conclude that the productivity and profits of New Zealand companies were being seriously impacted by their inability to consistently deliver projects that fulfilled the expected objectives.

This seemed to be worrying news for New Zealand businesses. However, one of the motivations for commissioning this Survey was to be able to draw a benchmark for project-management in New Zealand, and understand how it compares with the rest of the world. On this point, KPMG's experience and the consensus of third-party research over the last 20 years, shows that global results are not dissimilar to those that we have reported for New Zealand. Globally, businesses are simply not delivering projects well enough. And this problem is not new.

Furthermore, the 2010 survey offered some encouraging news for local organisations. It was clear that some were leading the way, and managing projects that were consistently delivering significantly better results than most. We found that the following factors were strongly correlated with high-performing projects, and were characteristic of the high-performing businesses.





**Projects within these high-performing businesses:**

- are commissioned with a robust business case, and aligned with corporate strategy
- have an effective sponsor who provides clear direction for the project
- have project managers that use methodology consistently, and have a high level of project management capability
- manage risks actively, report variations and implement early recovery actions
- are run within a programme of work or portfolio
- are co-ordinated by a Project Management Office (PMO).

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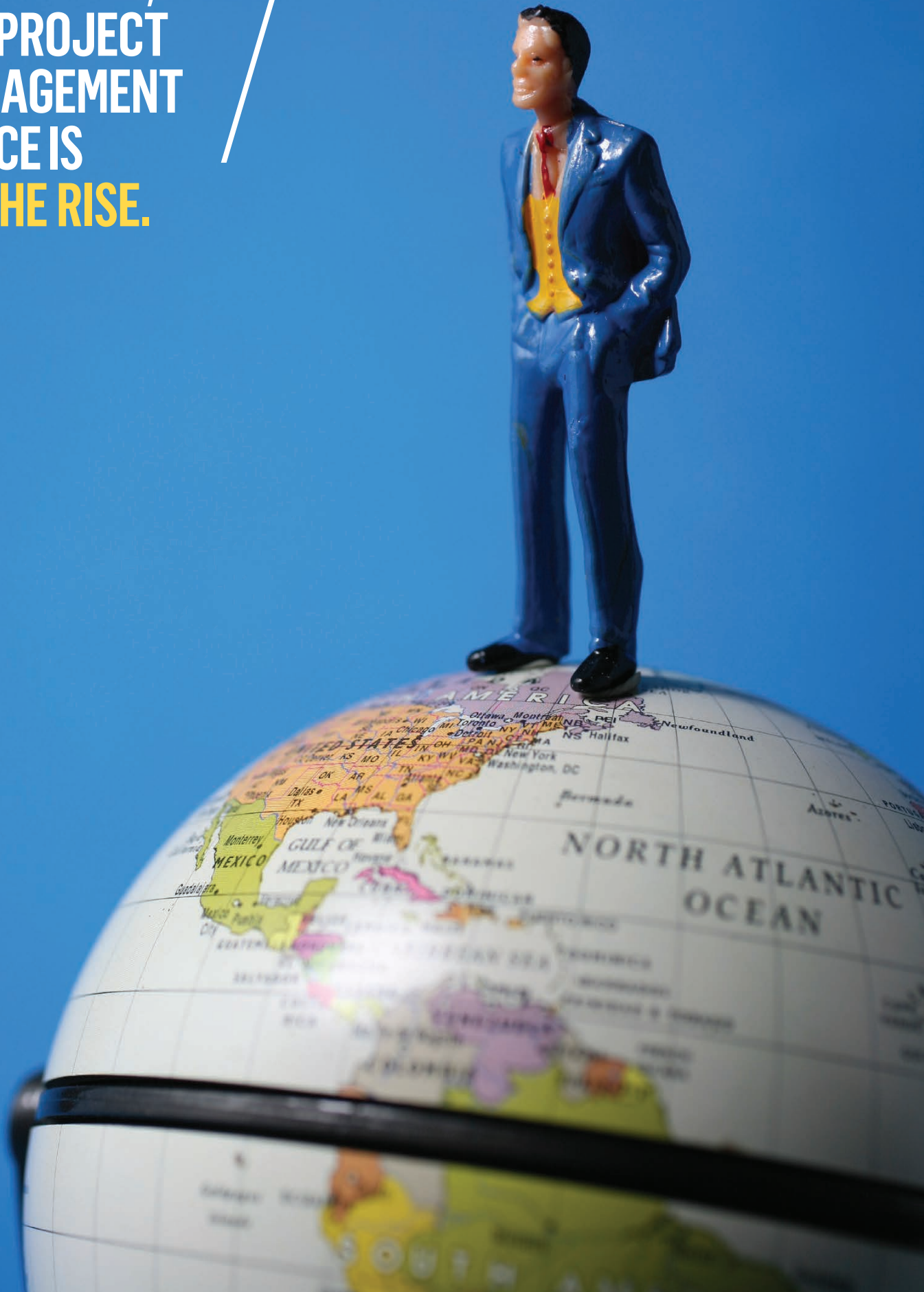
**ORGANISATIONS THAT WERE CONSISTENTLY ADOPTING THESE GOOD PRACTICES WERE REPORTING CONSISTENTLY GOOD RESULTS**

They were often up to 50 percent better than average against the traditional time/cost quality measures.

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# WORLDWIDE, THE PROJECT MANAGEMENT OFFICE IS ON THE RISE.





# A CURRENT UPDATE: PROJECT MANAGEMENT IN 2013



## The global perspective

As organisations wrestle with the impact and interplay of downsizing, increasing complexity and global mobility; we see that project management (and related subjects of programme and portfolio management) are becoming increasingly important. Executives in high-performing organisations recognise the imperative to identify, prioritise, co-ordinate and manage the projects that will turn their strategies into reality.

In the current economic environment, value-for-money is a priority. While many businesses have cut back discretionary spend in recent times, we see others that can no longer hold off essential projects. Effective project management practices help control the added risks that project activity introduces to normal business practice.

Globally, there is a growing acknowledgement of the importance of reliable methodology. The UK Cabinet Office (formerly OGC) is continuing its reputation as a leading developer and strong marketer of best-practice project management methodologies. PRINCE2 is mandated by the UK Government and the Australian Federal Government, for their respective public sector projects.

Despite the British Government's much-lauded track record in project management methodology, it does not always translate to results. The Major Projects Authority recently reported that Whitehall "still has a long way to go" to improve its handling of major projects. Concerns remain around multi-billion pound projects like the HS2 rail link, and the Universal Credit welfare reform.

P3M3 has been widely embraced in Australia, as the Federal Government recognises the significant cost impacts of not having sufficient levels of maturity. (See the definition of 'maturity' below). We also see growing recognition of this in the New Zealand environment; however we have not been as fast to develop effective solutions.

Worldwide, the Project Management Office (PMO) is on the rise. 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.

Across the globe, however, issues around project performance continue to arise. The required value from project investments is not being achieved consistently. This impacts on an organisation's ability to deliver on their commitments to their customers and shareholders. As a consequence, the discipline of project management is coming under scrutiny.

**A project** is a temporary group activity designed to produce a unique product, service or result.

**A programme** is a number of projects and activities that are planned and managed together, to achieve an overall set of related objectives and other outcomes.

**A portfolio** is the totality of an organisation's investment in the changes required to achieve its strategic objectives.

**Maturity** is a measure of the reliability, efficiency and effectiveness of a process, function, organisation etc. The most mature processes and functions are formally aligned to business objectives and strategy, and are supported by a framework for continual improvement.



### The New Zealand perspective

Since the inaugural KPMG New Zealand Project Management Survey in 2010, we have seen some encouraging signs. Following the earlier emphasis on cutting discretionary spend (and costs), due to the global financial crisis, we are now seeing an increase in the number of projects being commissioned. We also see a resurgence of projects focussed on accomplishing strategic objectives, rather than cost-cutting.

However, the message is not all rosy. In general, the 2012 Survey results show that organisations do not appear to be doing better at capturing the business value of their projects than they were in 2010.

Worryingly, we also see an overall increase in project failure rates since 2010. In our 2012 Survey, our results identify lower than average success rates in the government and financial services sectors. In the Novopay project, we have seen an interesting case study in the consequences of such a failure.

The survey also reports a decline in the number of businesses using a Project Management Office (PMO). This is particularly interesting, because our previous survey demonstrated that those organisations running a PMO showed much better success rates in their projects overall. Global research and experience also strongly indicates the correlation between high-performing PMOs and successful projects. We have been particularly interested as to what this year's survey tells us about this trend to downsize or de-commission PMOs.

On a more positive note, we are seeing more executive-level conversations regarding prioritisation of investment, and about systematic ways to achieve forecast benefits from investment.

Although we are not yet seeing this translate into outcomes, organisations are beginning systematically to adopt processes to quantify project benefits, and then implement ways to consistently deliver them.

At first glance, the picture appears fairly gloomy. However we believe organisations are demonstrating a better understanding of the challenges of project management, and a higher awareness of what must be done to improve. We have seen encouraging information on initiatives in place to increase the maturity of project management generally. There is still a long way to go. Yet gaining an accurate perspective on where we are is, perhaps, the best place to start.

“We believe organisations are demonstrating a better understanding of the challenges of project-management, and a higher awareness of what must be done to improve.”

# KEY SURVEY FINDINGS

We have highlighted four key findings from our 2012 Survey.

**01 / CERTAIN 'GOOD PRACTICES' CORRELATE TO PROJECT SUCCESS (YET WE CAN BE SLOW TO ADOPT THEM)**

**02 / PROJECT ACTIVITY IS ON THE INCREASE – AND SO ARE FAILURE RATES**

**03 / PMOs ADD VALUE – BUT ARE BECOMING RARER**

**04 / PERFORMANCE LEVELS VARY ACROSS INDUSTRY SECTORS**



## 01 /

## KEY FINDING: CERTAIN 'GOOD PRACTICES' CORRELATE TO PROJECT SUCCESS (YET WE CAN BE SLOW TO ADOPT THEM)

Our 2010 Survey demonstrated the strong correlation between project success, and some specific 'good practices'. This theme is echoed and reinforced in our current survey. We also took the opportunity, this time around, to resolve some of the questions that were raised by our 2010 findings. The aim was to understand more about these approaches, and how they make a difference in practice.

Organisations that consistently adopted these good project management practices achieved dramatically higher success rates than those that did not. The practices which we see as particularly important to increased project success rates include:

- Consistent application of a suitable methodology throughout the lifecycle of the project.
- Effective project risk management.
- Use of a Project Management Office.
- Use of programme and/or portfolio-management techniques, in addition to project management.
- Ensuring that projects are supported by a high-quality business case, and tracking the associated benefits.

### Use of a project management methodology

Our Survey results overall showed that only 41 percent of respondents said that their project managers always used a project management methodology.

However, when we make a comparison between use of a methodology and project outcomes, a striking correlation is apparent. Seventy-seven percent of organisations that consistently delivered projects successfully would 'always' or 'often' use a project management methodology.

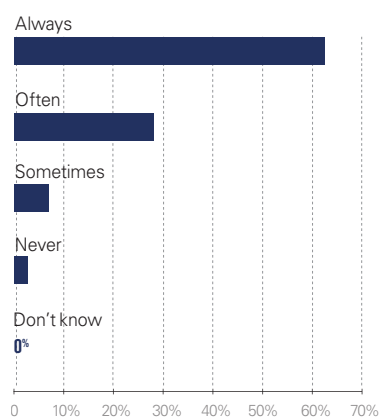
Unsurprisingly, our results demonstrate again that methodology use is highly correlated with project management success. As shown in the graph above, the more consistently a project management methodology is used, the greater the likelihood of success. Results demonstrate a significant uptake of PRINCE2, especially in the public sector. However the public sector is still reporting higher than average failure rates. PRINCE2 places emphasis on the collection of reporting, monitoring and tracking data, therefore it may be more likely to accurately record success/failure.

For the different type of project management methodologies used, please see graph in the Appendix.

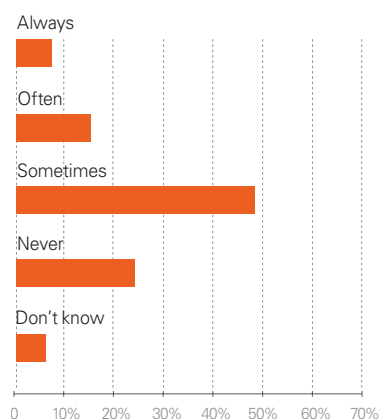
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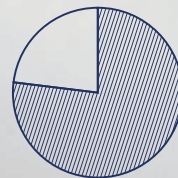
### HOW OFTEN DO PROJECT MANAGERS USE A PROJECT MANAGEMENT METHODOLOGY.

#### SUCCESSFUL



#### UNSUCCESSFUL





**77% OF  
ORGANISATIONS  
THAT  
CONSISTENTLY  
DELIVERED  
PROJECTS  
SUCCESSFULLY  
WOULD 'ALWAYS'  
OR 'OFTEN' USE  
A PROJECT  
MANAGEMENT  
METHODOLOGY.**

## 02 WHAT INITIATIVES DO YOU HAVE IN PLACE TO IMPROVE RISK MANAGEMENT IN PROJECTS?



### Effective project risk management

Consistent application of a risk management methodology throughout the lifecycle of the project has been identified as significantly contributing to project success rates. Without effective risk management processes, organisations cannot effectively identify, assess and control the uncertainty inherent in a project.

Whilst 43 percent of respondents use an organisation-specific risk standard, 21 percent of respondents did not use an external risk management standard.

It is heartening to find that many respondents had initiatives in place to improve risk management. The most common initiative was the ability to communicate an approved risk framework, and to align it within the wider organisational risk framework.

The alignment of the project risk framework with the organisational risk framework must always take into account the context preceding every risk management activity. This will mean the likelihood and consequence risk ratings need to be tailored, depending on the scale of the project.

### // See graph 02

### Business case and benefits realisation

We are encouraged to see that there has been an increased focus on value, with a doubling in the number of formal benefits measurement and realisation processes being implemented since our 2010 Survey. This demonstrates that businesses are acknowledging the need to shift the focus of projects beyond activities and cost, to outcomes and value.

Benefits management is an important discipline for project-managers: this supports a focus on ensuring that controls and checkpoints are embedded across the full lifecycle of the investment.

In 2012, 70 percent of respondents report that they have some form of formal benefits measurement and realisation process in place; 25 percent at Enterprise level only, 37 percent at Programme level only, at 7 percent at both. Twenty-two percent didn't have any, and 6 percent didn't know.

It is good news to see an increase here. The project success rates of those who have a formal benefits measurement and realisation process in place are higher than those who don't, on all three standard measures of project success (time, budget, stated deliverables).

Many organisations also reported initiatives in place to improve benefits measurement and realisation.

These include:

- aligning project/programme benefits with strategic business objectives
- formally tracking benefits
- monitoring of benefits by the Project Management Office (PMO)
- introducing a benefits management framework
- holding an investment logic mapping workshop
- associating budgets with indicated cost savings
- improving financial accountability through budget alignment.



Percentage of respondents  
with formal benefits measurement  
and realisation process in place:



**IT IS GOOD  
NEWS TO  
SEE AN  
INCREASE  
HERE.**



### Programme management

Rates of programme management methodology usage across New Zealand are not currently high.

#### // See graph 03

Of those who did use a programme management methodology, 26 percent used MSP, 53 percent used an in-house methodology, 19 percent used PMI based, 6 percent used proprietary, 13 percent didn't know, 3 percent used other methodologies.

The low overall rates of project managers using a programme management methodology is concerning, given the increasing complexity of today's environment and increasing failure statistics we have found in this latest survey.

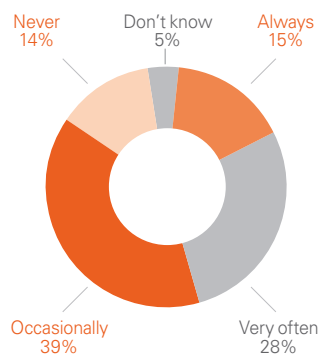
### Project, programme and portfolio management maturity

International research shows that project management maturity correlates highly with success. Yet 77 percent of respondents in our 2012 Survey did not use a project management maturity model.

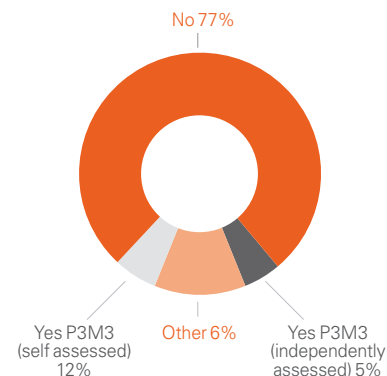
On the positive side, the New Zealand public sector is showing an increasing interest in portfolio, programme and project management maturity. This is recognised by the New Zealand Treasury, which is actively promoting maturity assessment and improvement for government organisations.

#### // See graphs 04 and 05

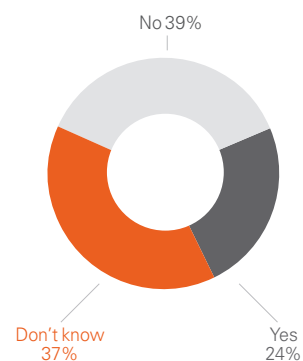
**03 DO PROJECT MANAGERS IN YOUR ORGANISATION USE A PROGRAMME MANAGEMENT METHODOLOGY?**



**04 HAS YOUR ORGANISATION USED A PROJECT MANAGEMENT MATURITY MODEL?**



**05 DOES YOUR ORGANISATION HAVE PLANS IN PLACE TO ASSESS YOUR PROJECT MANAGEMENT MATURITY MODEL IN THE NEXT TWO YEARS.**



## 02 /

KEY FINDING: PROJECT  
ACTIVITY IS ON THE INCREASE –  
AND SO ARE FAILURE RATES

In 2010: **98%** of respondents said they completed only **0-5 projects** across the business.

In 2012: **54%** of respondents said they completed more than **21 projects** across the business.

#### Significant increase in project activity

Our 2013 analysis shows a significant increase in project activity across all sectors of the economy. In the past 12 months, **54 percent of organisations** surveyed completed **more than 21 projects**. This is a significant change from 2010, where in response to the same question, 98 percent of those surveyed reported completing only five projects or fewer.

#### New Zealand is focussed on growth and efficiency

An analysis of the type of projects launched during 2012 shows that growth and efficiency initiatives are the current focus for most companies. Refreshing key infrastructure and systems was the key driver, which is probably a response to significant under-investment over previous years.

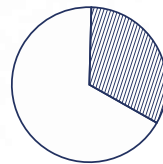
Other popular reasons for project activity were to build capability, improve efficiency and to respond to the changing stakeholder/market needs.

In the table shown right, we see a movement away from value-add and branding, to risk reduction and a focus on profit.

#### Key drivers of project activity

	2010	2012
1	To introduce new products and services	To refresh key infrastructure /systems
2	To support organisational change	To grow revenue
3	To develop information technology	To support organisational change
4	To develop strategy	To introduce new products /services





**ONLY 33%  
OF PROJECTS  
WERE DELIVERED  
ON BUDGET  
IN 2012**

### Survey reports an increase in project failure rates

Most organisations find it difficult to define what project success looks like. While the success of each individual project should be defined at project initiation, traditionally, success in projects is defined on three measures – timely delivery, delivery on-budget, and delivery of the stated deliverables.

Our 2012 data showed only 29 percent of respondents consistently delivered projects on-time, only 33 percent consistently delivered on-budget, and only 35 percent of respondents consistently delivered on scope. Compared to our 2010 Survey, this is a significant decrease in project success rates.

	2010	2012
Consistently on budget	48%	33%
Consistently on time	36%	29%
Consistently delivering stated deliverables	59%	35%

The raw data itself does not shed light on the reasons for this decrease; however our experience in the marketplace suggests respondents are making progress in reporting, monitoring and tracking benefits. Ironically, this more accurate understanding possibly serves to highlight that the picture was not as rosy as we thought in 2010.

Interestingly, while our 2012 project success results are significantly worse than our 2010 results, more than 50 percent of our 2012 respondents believe their project success rate is improving. Respondents also report many initiatives in place to improve practices.

#### // See graph 07

True, the data does not demonstrate this progress in terms of outcomes. At the end of the day we are still only delivering 30 percent of projects well.

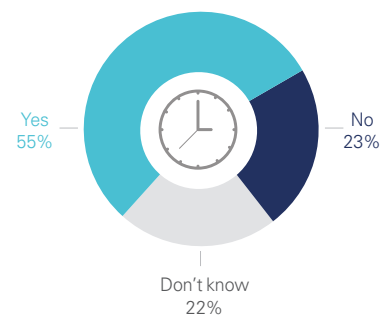
However our experience indicates that some improvements are happening. Will future survey data bear evidence of this?

### Possible reasons for organisations reporting more failure

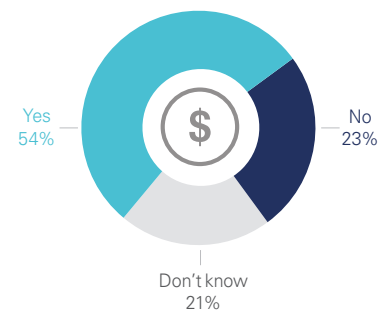
We have proposed a number of possible reasons for this increase in reported failure rates. These are outlined in the Appendix.

#### 07 2012 RESPONDENTS WHO REPORT THEIR PROJECT MANAGEMENT IS IMPROVING.

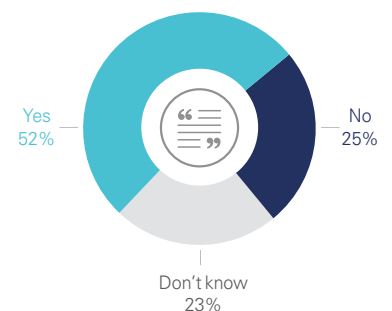
##### ON TIME



##### ON BUDGET



##### ON STATED DELIVERABLES



## 03 /

KEY FINDING:  
PMOs ADD VALUE – BUT  
ARE BECOMING RARERTHERE'S  
BEEN A  
30%  
DECLINE  
OF PMOs  
IN NEW  
ZEALAND

## So what is a PMO?

A Project Management Office (PMO) is a team, or collection of teams, that help an organisation effectively select and delivery projects. At KPMG we're increasingly using the term PMO to represent the whole spectrum of activity – from support services to facilitating strategy implementation.

## Declining number of PMOs

There has been a near 30 percent decline in the number of PMOs across New Zealand since 2010.

In 2012, 60 percent of New Zealand organisations indicated they had some kind of Project Management Office – compared to 2010, where 88 percent of organisations had a PMO. This is significant and worrying.

We see PMOs as strongly correlated with successful outcomes. However it is only the PMOs with sufficient authority and resources that can deliver these results. PMOs are created to improve project performance; yet, few organisations are giving the PMO enough resources and authority to do the job.

## The top reasons given for implementing a PMO were:

- to improve governance
- to prioritise investment, align and adjust to business strategy
- to improve project management maturity
- to enable consistency of delivery.

## Organisations that do have a PMO reported that the main benefits are:

- Project managers consistently apply a risk management methodology throughout the life cycle of the project.
- Project time and cost variations are reported regularly.
- Project reporting is timely.

Our survey results show these practices are strongly associated with project success.

## The changing profile of the PMO

We are currently seeing a transition from the standard project PMO to PMOs at different levels across organisations.

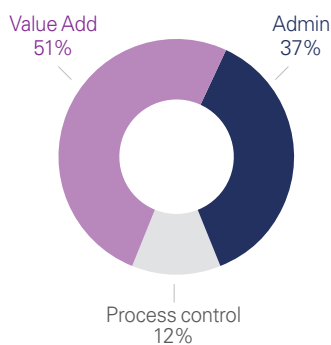
The four levels of PMO identified in New Zealand are:

- Enterprise level
- Business unit or departmental PMO
- Programme PMO
- Project PMO

For a comparison of the activities undertaken by these different types of PMO, see Table 11 in the Appendix.

08

#### % OF PMOs PERFORMING SERVICES IN THE CATEGORIES OF VALUE ADD, ADMINISTRATION AND PROCESS CONTROL



**Only 50% of PMOs performed services in the area of value add.**

#### Why are PMOs being disestablished?

The reasons our respondents identified for their PMOs being disestablished are:

**21%**

the perceived overhead.

**17%**

the perceived focus on processes.

**7%**

insufficient learning being transferred across programmes and projects.

**7%**

process inefficiencies due to different business units not being joined up.

#### Other reasons identified were:

- organisational restructure
- project complete
- reduced capital spend and lack of integration with people
- key project failure and perceived focus on process than result
- lack of executive buy-in and support.

The above responses all point to PMOs failing to demonstrate their value to the organisation.

Performance measurement is one area where the high performing PMOs really set the standard for future project management practice. All high performing PMOs focus on project performance as a fundamental. The focus on performance metrics relating to project schedule, budget and quality is often a new PMO's first priority; as it allows them to identify where improvements in processes or training will make the most difference and allow them to measure their value to the organisation.

Once these processes are in place, PMOs often struggle to demonstrate their value on an ongoing basis.

High performing PMOs often choose a strategic initiative to measure as a test case, then prune the list of measures that best communicate to executives how well the activities serve the organisation's strategic goals. Many of these metrics are financial; however mature PMOs identify other value measurements to demonstrate their value on an ongoing basis.

Some of these measures include:

- alignment to strategic goals
- return on investment
- cycle time
- cost of quality
- customer satisfaction
- cost and schedule performance
- resource utilisation
- requirements performance
- employee satisfaction.



## 04 /

KEY FINDING:  
PERFORMANCE LEVELS VARY  
ACROSS INDUSTRY SECTORS

## How are our industries performing?

We asked organisations across various sectors to rate their performance in delivering successful project management outcomes.

// See graphs 09 and 10

Organisations in the **Information Technology** sector view themselves as more successful than average at completing projects successfully. They reported above-average project success (21%) on key measures of timely delivery, delivery on budget and delivery of stated deliverables.

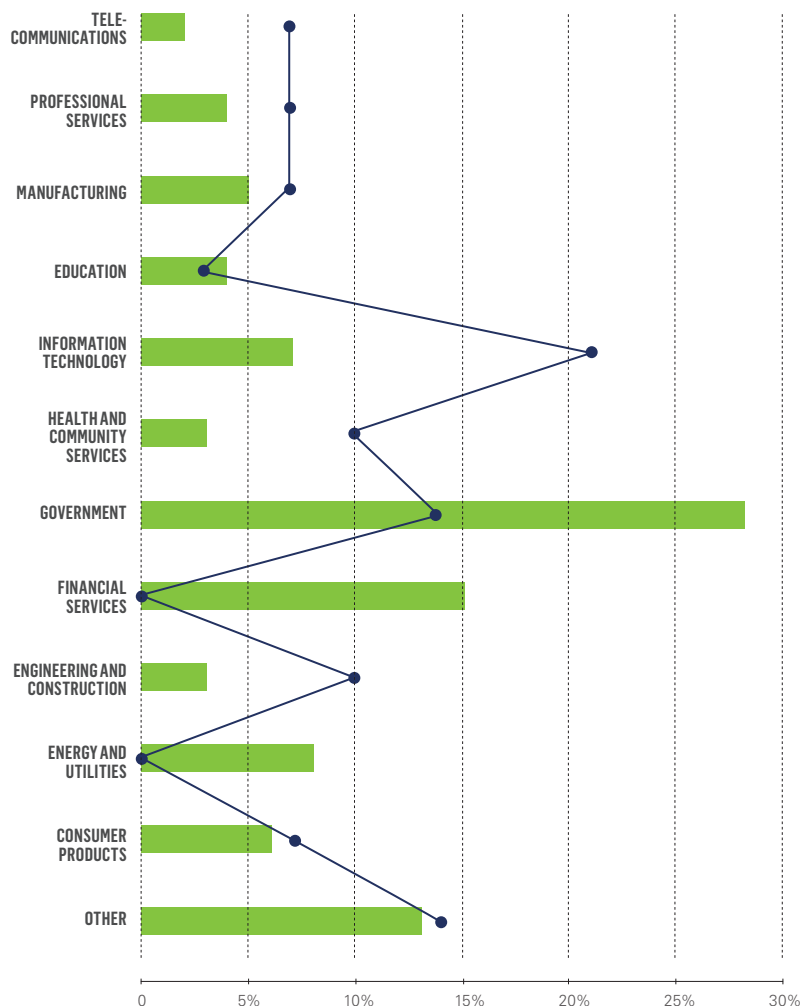
The data does not explain the drivers behind this trend. One explanation may lie in the higher maturity in general of project management in the IT industry.

Respondents from **the government sector** make up 28 percent of our total sample, however they make up only 14 percent of our high performance group (those organisations in the top quartile for project success on all measures).

Organisations from this sector report they deliver projects on time and on budget fairly well, however government rated themselves as noticeably weaker than average in delivering on stated deliverables.

The **financial services industry** reports that it is weaker than average at delivering to agreed project budgets, but this industry fares better on achieving the stated deliverables and delivery on time.

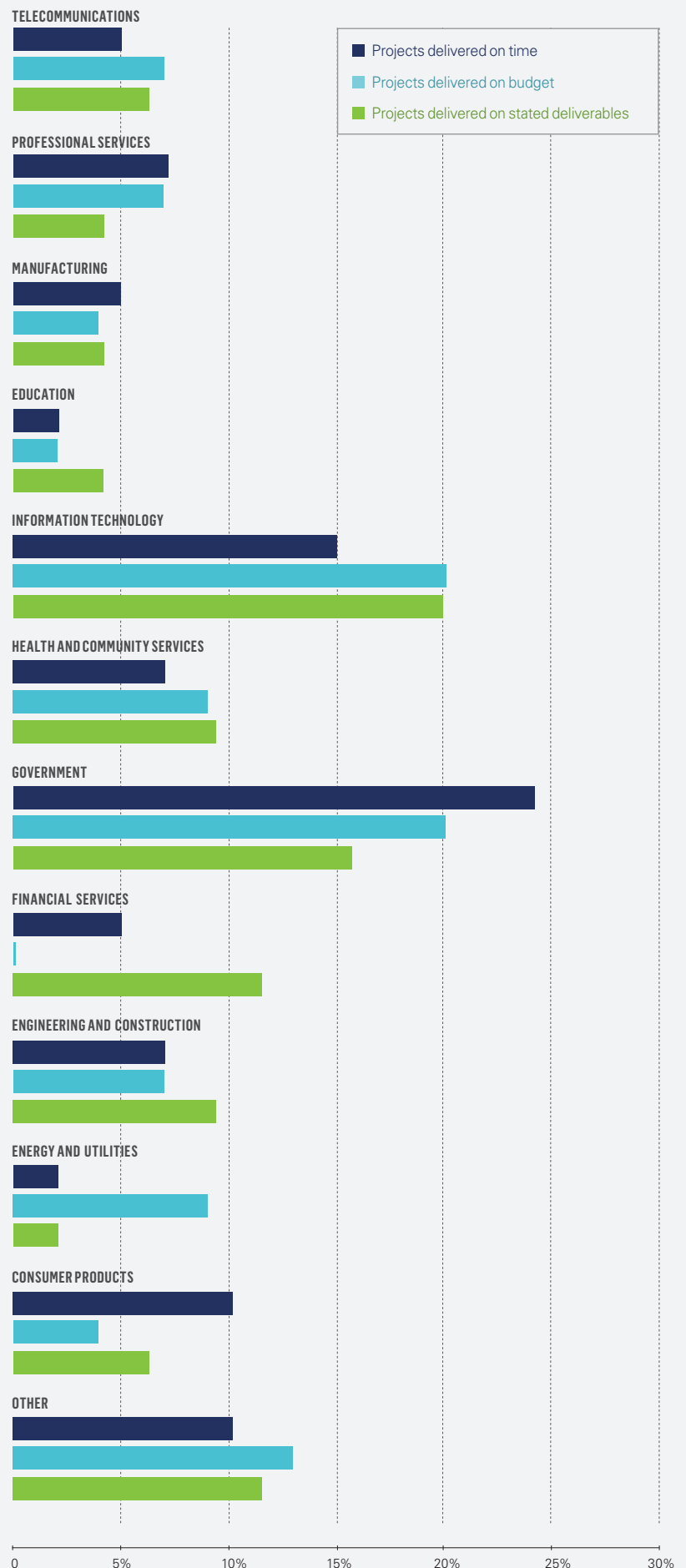
## 09 WHAT INDUSTRY DOES YOUR ORGANISATION OPERATE IN?



■ = % Response – total sample (208)    ● = % Response – high performance group (29)

This graph compares the percentage of all survey respondents against a 'high-performance' sub-group of respondents. The **green bars** display the percentage of the total sample coming from each industry group. The **blue dots** represent the number of 'high performers' from that industry group. (The 'high-performance' sub-group is defined as those respondents who reported consistent (75% or more of the time) delivery on budget, on time and to stated deliverables.)

The financial services industry reports that it is weaker than average at delivering to agreed **project budgets**, but this industry fares better on achieving the **stated deliverables** and delivery on time.



# KPMG'S KEY INSIGHTS AND RECOMMENDATIONS



## We need a fresh paradigm for the New Zealand public sector.

The state sector is the biggest employer in New Zealand, responsible for nearly 43 percent of gross domestic product. What the state sector does – and how well it does it – has a direct impact on everyone in the country. The stakeholders include taxpayers, employees and employers, recipients of services provided by government, and users of government assets and infrastructure.

Government decides which outcomes are the priorities for improvement. Then the public service provides advice on the best way of meeting those outcomes with available resources. The state sector is held to account by Parliament for delivering the outputs it says it will deliver, as efficiently as possible.

New Zealand Government organisations view themselves as below average in delivering to stated deliverables. If this is indeed a trend for Government to de-scope projects, it raises questions as to whether an on-time, on-cost delivery are seen to be success indicators preferred to delivery of the desired outcomes.

The UK Government has embraced the power of incentives to encourage successful outcomes. Recent UK policy aims to provide "... good incentives for departments ... to prioritise across programmes ..." and "... to manage spending well so as to provide high quality public services that offer value for money to the tax-payer." (Managing Budgeting in Government, TSO, 2012).

In New Zealand, the lack of incentives is one of the fundamental ways we are being held back from maximising government sector performance.

## Recommendation / 01

This Government is charged with being innovative and flexible, to adapt to new ways of doing things with fewer resources. This means a future state sector that uses the technological and human capital of both the public and private sectors more intelligently, in policy-making and implementation.

As well as a clear understanding of what is required in terms of performance responsibilities and standards, there needs to be clear consequences associated with either: fulfilling, not fulfilling or exceeding performance expectations. This means more than just the existence of rewards or sanctions for performance; it means applying them actively and proportionately so that they remain credible enough to influence behaviour.

The public sector needs to be thinking more in terms of contracting for outcomes. In other words, responding and adjusting outputs as necessary depending on what works best; rather than seeing the delivery of the product or service as a job done.

**Recommendation / 02**

The increasingly complex business of government creates growing challenges that are very difficult for organisations with low project management practice maturity to manage.

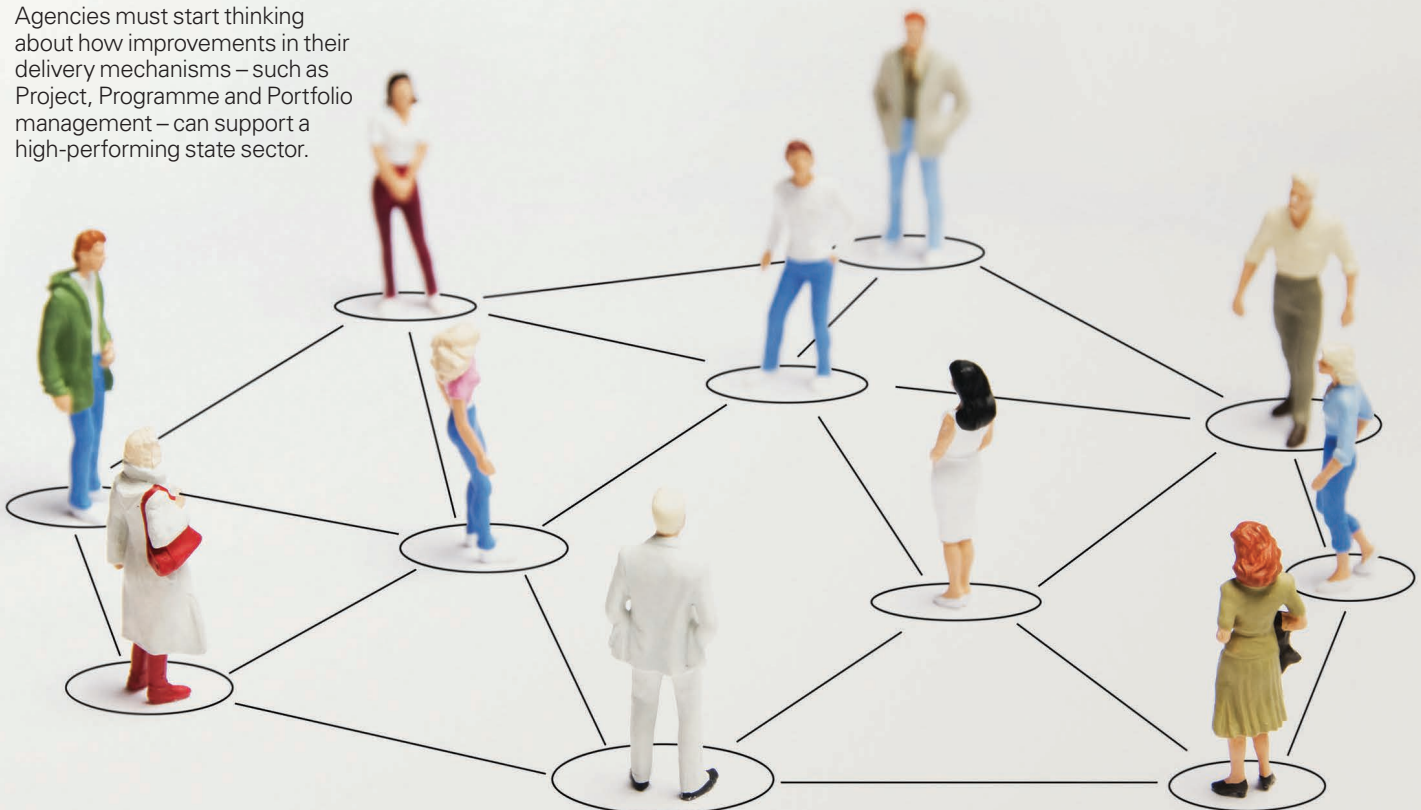
Between a third and a half of the New Zealand Government's budget is spent on 'change' initiatives. What is most concerning is how much of that is wasted through low maturity P3M practices.

Research tells us that we should expect poor performing projects and failures to continue in government, unless the maturity of P3M practice and assurance is significantly improved.

Agencies must start thinking about how improvements in their delivery mechanisms – such as Project, Programme and Portfolio management – can support a high-performing state sector.

**“CURRENTLY, GOVERNANCE AND ACCOUNTABILITY ARE DRIVEN BY THE PARLIAMENTARY APPROPRIATIONS PROCESS. THAT PROCESS ACCOUNTS FOR THE MONEY, BUT NOT FOR THE RESULTS.”**

Minister of Finance







## The financial services industry requires unique support.

Project management has a unique context within the financial services sector. It is a demanding, fast-moving environment where users have high expectations.

Unsurprisingly, many organisations in the finance industry are focused on return on investment. Projects are often driven by regulatory demand and changes in the audit environment. Many financial services projects involve complex technology and vendor supply systems. There is also a sense of urgency to replace less efficient systems and processes to either meet customer demand, or to fight off competition. Lastly, organisations tend to have low tolerance for inappropriately high levels of detail.

Some of the trends KPMG is seeing in this industry include:

- a heavy focus on technology
- globalisation, where organisations are moving to operate on a global scale
- a strong focus on data security and fraud prevention
- a move to virtual teams to avoid travel and expenses costs, and to utilise the skills and capabilities available globally.

Accordingly, we see there are a number of emerging issues to be addressed by project managers working in the financial services sector.

### Recommendation / 01

A higher level of scrutiny is required towards current project portfolio management and projects. The aim is to identify projects that are under-performing as early as possible, and take steps to address these.

### Recommendation / 02

There are benefits to be gained from retrospective financial scrutiny of results delivered by projects. The aim is to assess whether the original assumptions documented in the business case were correct, and what can be learned from them.

### Recommendation / 03

As with the public sector, there is potential within the financial services industry to lift project performance via incentives. Executives should look to reward project managers for delivery of outcomes, rather than a time-basis measure. They should also hold the project manager accountable for project success, and provide strong incentives for successful delivery.



## Strengthening the role of the PMO in New Zealand.

Given that PMOs are shown in our survey to be strongly correlated with better project outcomes, we have already noted a worrying decline in the use of PMOs. This suggests that either PMOs are failing to demonstrate their value to the organisation, or that their value is not recognised.

We see a minority of businesses recognising the need for, and the value of, a PMO and backing up that recognition with funding and accountability. In such cases, an effective PMO can then succeed in leveraging scarce resources to add value to the organisation.

At the other extreme, some PMOs are focused only on administrative support, or have a mandate that is ineffective or poorly understood. In the latter case, it is easy to understand why this can be seen as an overhead – and we suspect this is the underlying factor in the strong decline reported in this survey.

### Recommendation / 01

All New Zealand companies involved in significant project work should seriously consider the value of a PMO within their organisation.

Companies with poor delivery records are now waking up to the fact that project managers need support, guidance and infrastructure to deliver more reliably. In other words, they need a PMO. The days of relying solely on the ‘superhero’ project manager are numbered.

While we understand the reticence of organisations to invest in a project delivery infrastructure, we also see the need and a desire for an increase in organisational maturity in delivering projects.

### Recommendation / 02

Existing PMOs in New Zealand need to step up and clearly demonstrate their value to the organisation.

Effective and mature PMOs generally identify a range of measurements to demonstrate their value on an ongoing basis. Some of these measures include:

- return on investment
- alignment to strategic goals
- cycle time
- cost of quality
- customer satisfaction
- cost and schedule performance
- resource utilisation
- requirements performance
- employee satisfaction.

### Recommendation / 03

There are a number of strategies that PMOs can adopt to help them reinforce their role within the organisation.

These include:

- **Use a standard language.** This can be as simple as creating a shared dictionary for working on projects, so words like ‘plan’ and ‘schedule’ are precisely defined. At the other end of the scale, it can mean methodology or multiple methodologies that connect industry best practice with project management standards.
- **Educate broadly, then deeply.** Smart PMO managers train widely within the organisation. They educate support staff, line managers and executives on the basics of project management; in order to build a supportive organisation around the PMO. They then focus training on the project managers and staff to bring their practice in line with the requirements of the organisation.
- **Collect data rigorously.** Most PMOs realise the value they offer must be quantified. The time to set up measures is at the PMO implementation stage. This allows the PMO to later show, in hard numbers, the value derived from process improvement.

# CONCLUSION – THE WAY FORWARD

In summary, the results of the 2012 Survey differ from our previous results in some interesting ways, but the overall theme remains the same.

A minority of our respondents implement a few, well-understood project management techniques – and they consistently deliver significantly better results than the majority, who do not. A common response to this (and one we often encounter in practice) would be to accept these results with a sense of resignation.

We, at KPMG, do not accept this. As we stated in our executive summary, to ignore the potential for change is to continue to waste resources at an unnecessary and staggering level.

Our survey demonstrates that good practice is well-understood in theory. Yet it is not generally well-executed in most organisations. More importantly, it proves those organisations that use these disciplines reliably are demonstrably outperforming their competition.

We believe that Boards, shareholders and taxpayers should challenge New Zealand organisations to 'raise their game' in project, programme and portfolio management. The potential rewards are simply too significant to ignore.



# HOW KPMG CAN HELP YOU

Our survey highlights some 'good practices', and demonstrates the practical difference these techniques can have in improving project results.

However, at KPMG we understand that in practice there is an art, as well as a science, to delivering reliable project results. In fact, a global survey reported **the single biggest factor influencing the outcome of their projects was the experience of the project manager.**

Acknowledging this, we have gathered an exceptional team of project professionals, skilled in the art of practical project management, who are passionate about making a difference to our clients' business results.

## You may be grappling with:

- a strategic need or critical dependence on a project to succeed (e.g. legal or other compliance requirements, mergers and acquisitions, or vision for business transformation)
- a **history** of project **failures**, cost **over-runs** or projects that fail to deliver the expected benefits
- a **lack of confidence** that your current **projects** will deliver on-time, on-budget and with results in-line with expectations
- **many projects** that are **poorly coordinated**, or lack the ability to measure your portfolio to deliver the best possible return on your investment
- projects/programmes of a **larger scale** than you have experience of, i.e.
  - bigger budget or effort
  - longer timescales
  - greater complexity
  - wider scope.
- Projects/programmes of a **different nature** than you have experience of, e.g.
  - large-scale IT projects
  - outsourcing business processes
  - fundamental organisational change
  - mergers, acquisitions or disposals.

## Services we can provide:

### Project management and delivery

We can help with all aspects of project procurement, planning and delivery, project governance, resourcing, scheduling, risk, issue, dependency scope and cost management.

### Portfolio management

We can help with prioritising projects to deliver the best returns, taking into account the interdependencies between projects and ensuring the portfolio remains optimised over time.

### Project/programme business cases

We can assist with the preparation of financial business cases; as well as QA of business cases prior to submission.

### Project quality assurance

We provide objective and informed insights into project risk, and act as an independent 'sounding board' when you need a second opinion.

### Procurement

- We assist with project managing requests for proposals (RFPs) for third-party products and/or services (e.g. software solutions such as ERP systems).
- We can advise on the product/service selection process.
- We can help to negotiate suitable commercial arrangements with product/service vendors.



# ABOUT THE SURVEY

KPMG's 2013 Project Management Survey Report refreshes and builds on the findings from our inaugural Survey in 2010.

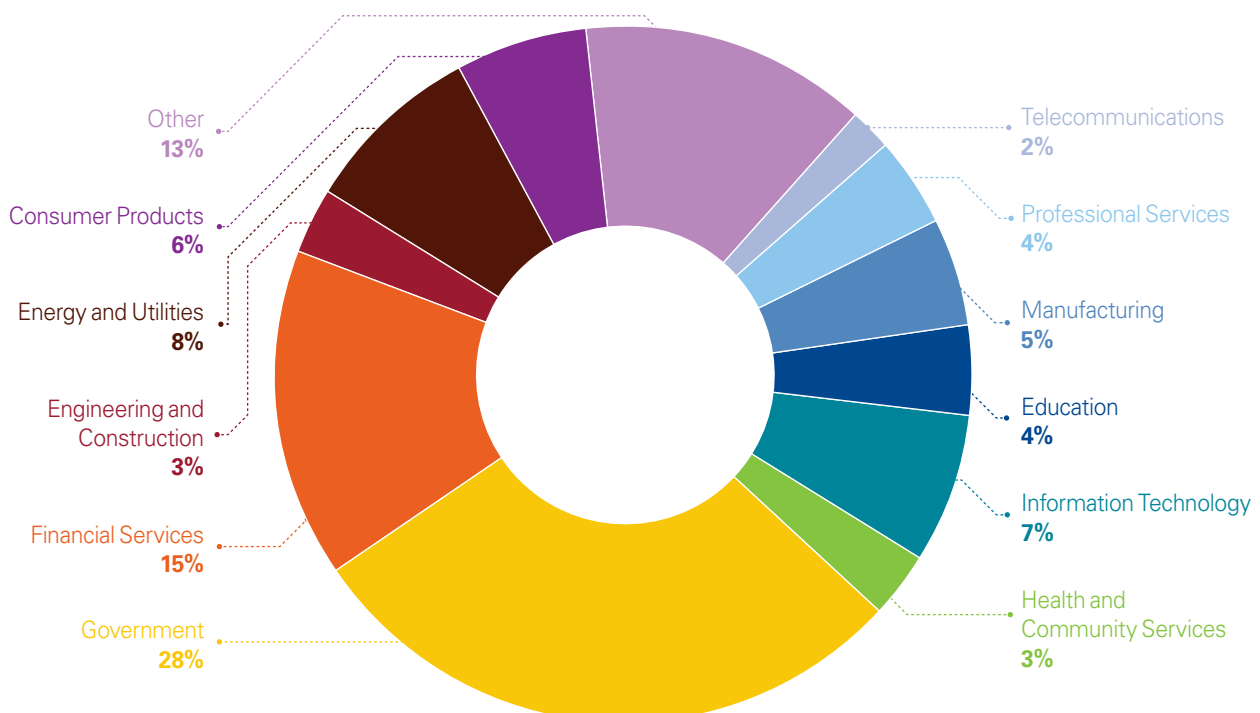
Answers to multiple-choice and open-response questions were recorded and analysed by a team of KPMG Project Management professionals. Nearly 200 organisations participated in the survey, providing a solid base of data to analyse.

The survey included a wide range of organisational representatives involved in the management or governance of projects and programmes, across a wide variety of industries. We believe the findings make a significant contribution

to building prosperity in New Zealand, by demonstrating the waste of resources associated with failing projects, and identifying the remedial actions that reduce that wastage in high-performing organisations.

11

## WHAT INDUSTRY DOES YOUR ORGANISATION OPERATE IN?



# ABOUT THE AUTHORS



**Gina  
Barlow**

Gina is a Director, Project Advisory Services. She has more than 25 years experience in information communication and technology.

Gina has significant experience in managing and assessing complex projects. Her strength is assisting clients with the baselining and measurement of project outcomes, and identifying performance measurement improvements from process change across projects.

Gina provides independent quality assurance across large programmes of work and across a wide variety of projects, utilising both PRINCE2 and PMI methodologies.

[gbarlow@kpmg.co.nz](mailto:gbarlow@kpmg.co.nz)



**Perry  
Woolley**

Perry is a Director, Project Advisory Services. He is passionate about delivering business benefits across a broad variety of business, project and technology environments.

Since arriving in New Zealand in 2005, Perry has undertaken multiple project-services projects to high-profile clients across many industry sectors, covering private, public and not-for-profit organisations. These include high-tech, financial services, government (local and national), FMCG, healthcare and retail.

Perry is a member of the Institute of Project Management, a qualified Project Management Professional and a PRINCE2 practitioner.

[pwoolley@kpmg.co.nz](mailto:pwoolley@kpmg.co.nz)



**Louise  
Rutherford**

Louise is an Assistant Manager in the Project Advisory team. She is a PRINCE2 Certified Project Management Practitioner, with several years experience of evaluating public sector projects.

Louise provides project assurance over large projects assessing governance, structure and management against State Service Commission and Treasury guidelines.

[lrutherford@kpmg.co.nz](mailto:lrutherford@kpmg.co.nz)



**Chris  
Conradie**

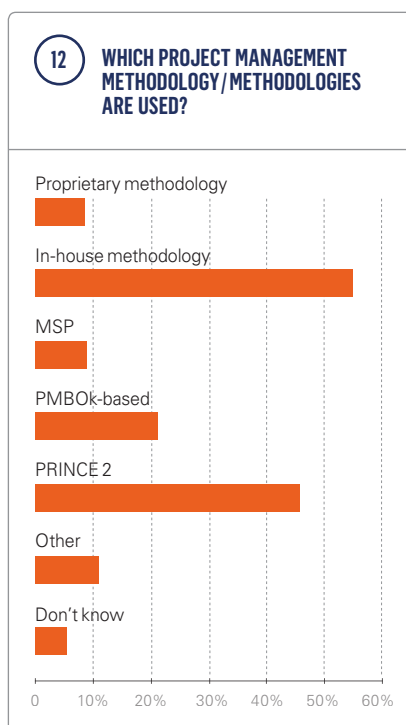
Chris is a Senior Manager in the Project Advisory team. He has more than 15 years experience managing and assessing complex projects, as well as in benefits management, measurement baselining and benefits realisation.

Chris has expertise in reviewing projects and programmes against best practice, State Service Commission guidelines and Treasury's Better Business Cases Guidelines.

[cconradie@kpmg.co.nz](mailto:cconradie@kpmg.co.nz)

# APPENDIX

## FROM KEY FINDING 01 /



## FROM KEY FINDING 02 /

### POSSIBLE REASONS FOR ORGANISATIONS REPORTING MORE FAILURE

We propose a number of possible reasons for this increase in reported failure rates.

These may include:

#### Fuller and more accurate information than 2010

Organisations may not have been able to realistically identify an accurate level of success in 2010 due to a lack of monitoring and reporting practices. In 2010 respondents reported they were doing well, but the responses also indicated that they didn't measure whether the projects actually achieved what they set out to. Perhaps in 2012 organisations have a clearer understanding of the outcomes being delivered by the projects, with the actual reporting of failures reflecting a deeper or more accurate understanding of reality?

#### Churn and change

Over the last two years we have seen a significant amount of restructure and merger activity, especially in the public sector. From our experience this has had a significant impact on projects ability to make progress and get traction due to staff disestablishment and changing roles. Projects are disrupted due to changes in sponsors, vision, or the drivers behind projects. Stakeholders are reliant on key decisions being made; however key staff are not always there to make those decisions anymore.

#### Lack of recognition that if you have to do more with less, you have to do things differently

Organisations are under pressure to do more with less, but we are not seeing them reprioritising and redefining their portfolios of work. We see issues arising from organisations failing to recognise the fact they won't be able to deliver the same outcomes with less resources. Organisations need to reprioritise and perhaps reduce their portfolio of work to successfully complete the initiatives of greatest strategic importance. Benefits management is an important mechanism for reprioritisation of work.

#### Changes that we haven't seen the outcomes of yet

From our experience it takes on average 18 months to move up a level in the P3M3 maturity model. It could be that organisations in 2010 recognised their failing practices and are now focused on governance and making sure they start with the right projects. However they are unable to demonstrate the benefits of the improved management around projects and programmes.

The timeline of implementing new processes and getting the benefits and the consistency out of those processes has not been achieved as they have not been embedded for enough time.

#### Optimism bias

We could also be seeing optimism bias in our projects. Results of the survey show that the majority believe we are achieving success more often, however when we look at the statistics, they show success rates moving down, not up.

## FROM KEY FINDING 03 /

## WHAT ACTIVITIES DOES YOUR PMO PERFORM, AT WHAT LEVEL?

Question	Enterprise level PMO	Business unit level PMO	Programme level PMO	Project level PMO	Total respondents to this statement
Assist in the development of project plans	27%	24%	25%	24%	71
Assist with project report preparation	30%	22%	19%	28%	67
Conduct reporting	31%	24%	21%	25%	68
Develop policies and procedures for the use of project/programme/portfolio management tools	59%	26%	10%	5%	73
Own, develop and improve methodology	57%	22%	15%	6%	72
Provide training on standards, methodology, policy and procedures	51%	32%	9%	7%	68
Enforce standards, methodology, policy and procedures	51%	30%	13%	6%	67
Facilitate risks assessment and planning	25%	31%	25%	19%	64
Gather information on project status	32%	21%	25%	22%	76
Maintain data on project progress and performance	34%	27%	21%	18%	73
Project/programme review and assurance	36%	25%	30%	9%	64
Prepare and update schedules and reports	21%	22%	24%	33%	63
Provide project start-up support	30%	29%	27%	14%	63
Provide technical capability on project management tools	34%	29%	20%	17%	59
Provide support for projects that are not going well	37%	26%	23%	14%	57
Provide templates	50%	28%	11%	11%	72
Resource planning	27%	25%	25%	23%	56
Other	38%	38%	13%	13%	8

## The Enterprise PMO

The enterprise level, strategic PMO has two primary missions:

- To improve the organisation's project management maturity
- To link the organisation's projects to its strategic plans.

The Enterprise PMO not only provides services to individual projects and departmental level project offices, it serves as a critical link between the executive vision and the work of the enterprise. By providing a standard organisational methodology for planning, executing, staffing, prioritising and learning from all projects that comprise today's organisation, the PMO gives organisational life a coherence that has long been lacking. Enterprise PMOs provide holistic, integrated initiative planning and execution and optimise scarce resources.

We see many PMO roles in the New Zealand market being disestablished. However, the ones that remain are being moved to a more strategic level.

## The programme level PMO

At programme level, the PMO takes a step towards a more strategic role (as programmes are more strategic than projects). The programme level PMO also calls for a longer term view of the enterprise's goals and a broader scope of expertise. Generally, PMOs that manage programmes have larger staff numbers which include schedulers, planners and analysts. They also require human resource management skills from PMO leaders. While they do some of the same things as business PMOs (e.g. facilitate risk assessment and planning, and maintain data on project progress and performance), they also do different things. These can include: project/programme review and assurance; gathering information on project status; helping to develop project plans and providing project start-up support; and preparing and updating schedules and reports.

## The project level PMO

Project level PMOs typically fulfil the following functions. They most often: prepare and update schedules and reports; assist with project report preparation; gather information on project status; assist in the development of project plans; conduct reporting; and maintain data on project progress and performance.



## Contact us

### Chandan Ohri

#### Partner

**T:** +64 (9) 367 5857

**M:** +64 (21) 867 361

**E:** cohri@kpmg.co.nz

### Gina Barlow

#### Director - Advisory

**T:** +64 (4) 816 4798

**M:** +64 (27) 495 3337

**E:** gbarlow@kpmg.co.nz

### Perry Woolley

#### Director - Advisory

**T:** +64 (9) 367 5690

**M:** +64 (21) 573 070

**E:** pwoolley@kpmg.co.nz

### David Leighton

#### Associate Director - Advisory

**T:** +64 (3) 378 0504

**M:** +64 (21) 913 044

**E:** dleighton@kpmg.co.nz

### Chris Dew

#### Director

**T:** +64 (9) 363 3230

**M:** +64 (21) 440 999

**E:** cdew@kpmg.co.nz

[kpmg.com/nz](http://kpmg.com/nz)