

# CA PPM Project HealthCheck

An independent research study, undertaken and conducted by Loudhouse Research, on behalf of CA

February 2010



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# Executive Summary

Every business undertakes projects of some sort and project management as a discipline underpins much economic activity in both the UK and worldwide. With the UK in the grip of a major downturn, the importance of effective project management in helping companies navigate choppy economic waters is once again highlighted as companies zero in on those projects that deliver the most value.

Many businesses are grappling with a greater number and complexity of projects than ever before, and with the economy putting companies under additional pressure, the need for greater discipline and visibility into what is actually happening with IT projects across the business has become increasingly urgent. Against this backdrop, many executive teams are turning to PPM (Project and Portfolio Management) software to better capture, manage and prioritise project investments.

The Project HealthCheck Survey 2010 explores the current project panorama in UK corporate businesses, comparing levels of project management maturity and priorities between users and non-users of PPM systems. It uncovers a major divide in the effectiveness and maturity of project management approaches that, if left to widen further, threatens to fundamentally weaken some IT departments at a time when they need to be at their strongest. Key findings from the survey include:

## Project management pressures

- ❑ 6 in 10 companies (61%) think that PPM is the right tool to deliver value in a difficult economy
- ❑ For half of companies (49%), the CIO is more involved in project management decisions as a result of the recession
- ❑ 62% of companies consider that the length of time it takes to create reliable, timely and accurate project reports presents an IT challenge

## Methodology

The research is based on 100 interviews with IT Director / CIO level respondents in UK corporate organisations. Incorporating IT, telecoms, retail, manufacturing, business services and public sector companies, respondents were interviewed by telephone during August / September 2009.

The study was undertaken on behalf of CA and conducted by Loudhouse Research, an independent market research company based in the UK.

# Executive Summary

## Project performance polarities

- ❑ On average, two thirds of projects (64%) experience some problems - most commonly that they go over budget (28% of projects) or that they come in late (21% of projects)
- ❑ PPM users are seen to experience fewer problems with projects (59% of projects are problem free compared to just 26% of projects for non-PPM users)
- ❑ PPM users are more optimistic about future project success (55% expect project success to increase compared to just 39% for non-PPM users)

## Project panorama

- ❑ On average, companies are spending 32% of their overall IT budget spend on IT projects
- ❑ 36% of companies think that projects are more complex now than two years ago
- ❑ 31% of companies are using industry standard PPM, although there is still a heavy reliance on disparate desktop tools (76%)

## PPM - moving forward

- ❑ 54% of PPM users consider that PPM should be a delivery tool for business strategy and 58% have seen PPM being deployed more often as a decision tool at senior management level
- ❑ 81% of PPM users also think PPM can be used to effectively capture and manage the total cost of IT services

## PPM priorities

- ❑ Users consider that the main reason for not investing in PPM is that companies may not be sufficiently mature to benefit (55%) rather than the tool being too expensive, disruptive to install or simply not a priority which are the reasons put forward by non-users themselves
- ❑ In terms of project performance improvements, PPM users are most focused on improving process management (48%) whilst non-PPM users are behind the maturity curve, looking most closely at people and resource allocation (43%)
- ❑ 81% of PPM users consider it important that PPM systems support Agile methods, whilst 32% consider Prince 2 critical for project success

*“PPM users are seen to be more successful, more mature and more confident in terms of project performance. This clearly raises the issue of why more companies are not investing in PPM.”*

*“Enterprise project management, by its very nature, is complex and PPM systems enable a greater number and complexity of projects to be managed. Users readily recognise the strategic value of PPM tools”*

# Executive Summary

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With studies and statistics on IT project failures often touted in the media, the CA Project HealthCheck Research Report looks beyond pure numbers, to understanding the different challenges facing companies as they progress towards project management maturity, and offers advice to companies on how to effectively balance the people, process, technology and financial demands of IT projects.

PPM emerges as a necessity, rather than a luxury, in minimising project risk and maximising project value – and although in its simplest terms PPM consists of technology, true maturity comes when technology drives change across the organisation more widely.

The research finds corporates operating an increasingly complex project landscape and CIOs under enormous pressure to optimise the value of their project portfolios. Despite these challenges, many companies are still reliant on manual or makeshift project management processes which are holding IT departments back from efficiently delivering on the needs of the business. Problem projects abound in organisations taking this approach, whilst other businesses show that there is another way to tackle project management – enabling more projects to be monitored and managed, with more success. PPM users are seen to have matured beyond looking at one-dimensional metrics of cost and time as measures of project success to evaluating ROI more widely. Furthermore, whilst non-users are left grappling with people and resource concerns, PPM users appear to have progressed to address wider process issues and are now focusing on the alignment of people, process, technology and finance.

The evident degree of increased sophistication, perceived benefit and absence of project relation challenges experienced by PPM users builds a compelling case for adoption of the technology. Though many factors will dictate success and failure in IT delivery over the next 12-24 months, there appears to be an interesting business case developing for PPM use amongst businesses with high levels of project management activity and complexity.

*“As PPM tools have developed and companies have become more confident in using them, more value is being realised beyond the realm of IT project management.”*

*“PPM users are rapidly recognising the potential value of PPM systems across the wider business, from general finance management, to business investment planning to new product development. The opportunities are enormous for companies willing to embrace the possibilities that PPM can offer.”*

# Project management pressures

Recession related IT budget slashing and layoffs are putting IT projects under more pressure than ever. Figure 1 shows the issues facing CIOs in UK corporates today, illustrating that in the current economic climate CIOs are being challenged to simultaneously create value (91%) and to cut costs (79%) within their IT strategies.

For half of companies (49%), the CIO is more actively involved in project management decisions as a result of the recession. Every project request is now weighed against competing priorities, must be aligned with corporate strategy and vigorously defended if it is to avoid being culled or curtailed in some way. With project management finding itself under the Board's microscope and faced with flat budgets or spending cuts and the need to deliver even more value, it is not surprising that 6 in 10 companies (61%) think that efficient PPM (Project and Portfolio Management) is more important in a difficult economy.

Despite an understanding of the importance of PPM in today's climate, many IT departments are still grappling with a range of conflicting day-to-day priorities, as shown in Figure 2. The more strategic of these are being hampered by the fact that almost two thirds of companies (62%) are challenged by the length of time it takes to create reliable, timely and accurate project reports. Effective visibility, measurement and communication of project performance across entire portfolios are an absolute necessity if IT departments are going to work smarter.

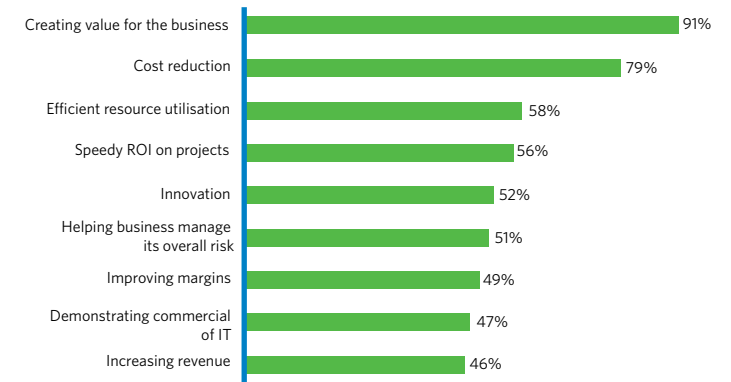


Figure 1: Key drivers of IT strategy

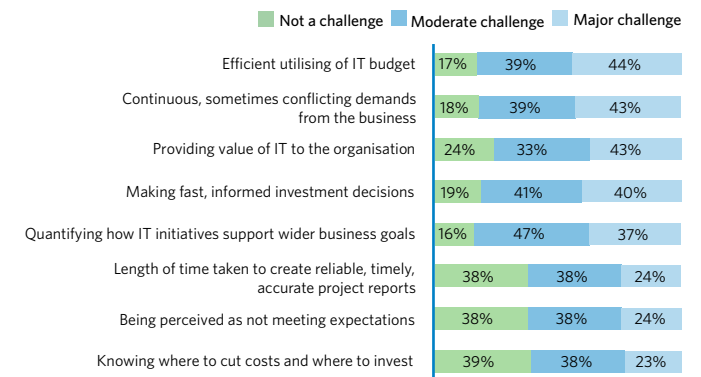


Figure 2: Key IT challenges

**Finding:**

CIOs required to create value and cut costs simultaneously, are more heavily involved in project management decisions as a result of the recession

**Implication:**

Pressured CIOs need effective visibility, measurement and communication of project performance across entire portfolios to meet their objectives

# Project panorama

The UK project panorama is best depicted as having multiple projects in progress at any one time, with IT constantly looking for new ways to make their companies work faster, smarter and better than before – in short, focused on its twin objectives of cutting costs and creating value.

Spend on IT projects is substantial and, in part, is likely to explain the level of attention that CIOs and the Board are bestowing on the performance of IT projects generally. On average, IT project spend now accounts for a third (32%) of IT budgets. As shown in Figure 3, some businesses, however, are spending considerably more than this – one in five companies (19%) spends more than half its IT budget on IT projects (defined as distinct IT events that are not related to support or maintenance). Not only are IT projects consuming a vast proportion of IT budget, but more than a third of companies (36%) think that projects are more complex now than two years ago. Whilst change and complexity are inevitable features of today's project environment, such levels of investment mean that failure on any level can have far-reaching implications.

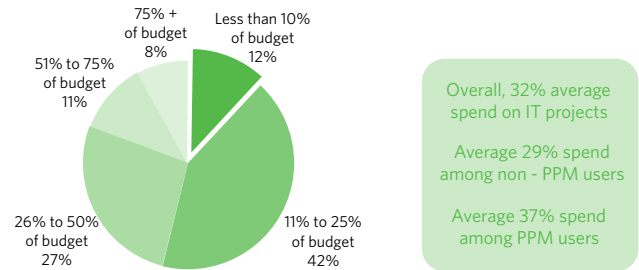
In recent years, a number of strategic management tools have emerged to help companies get a better handle on the project activity in their businesses. PPM solutions allow organisations to get a holistic view of their entire project workload, enabling IT to focus on the projects with the greatest value to the business. Figure 4 shows that almost a third of corporates (31%) are using industry standard PPM whilst there remains an evident attachment to disparate desktop tools such as Microsoft Excel or Project, used by three-quarters (76%) of businesses. This raises the question of why, given the significant levels of investment in IT project activity, are some organisations not better safeguarding and managing this investment by adopting the sophisticated, industry standard PPM tools now available.

**Finding:**

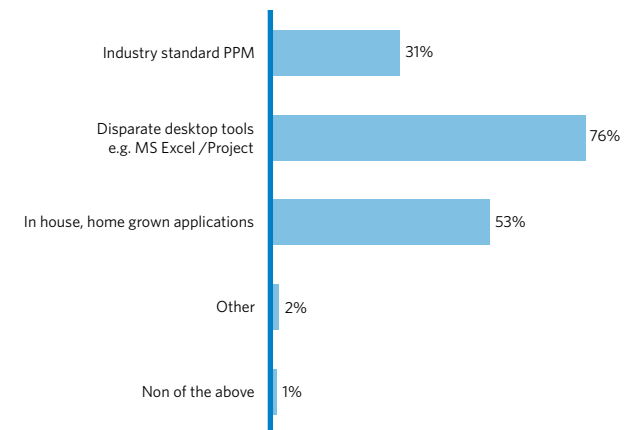
IT projects consume vast amounts of budget and are more complex than ever, but only a third of companies are using PPM to manage these complex investments

**Implication:**

Majority of companies are operating project portfolios in the dark, using outdated or homegrown tools, and are risking more problem projects and lost project value



**Figure 3: % of IT budget spent on projects over the last 12 months**



**Figure 4: Tools in place to manage IT project investments**

# Project performance polarities

Projects are often judged a success or a failure on their performance against budget. Figure 5 shows that along with delivery on time, coming in on budget is the biggest measure of project management success (both 70%). More sophisticated measures encompassing ROI or value in a more general sense are far less widespread amongst corporates generally. PPM users, however, are seen to adopt wider definitions of project success - with 52% looking at ROI based on business value delivered and 48% evaluating ROI based on IT cost or human resource savings. This would suggest that the adoption of a PPM system and its associated benefits is enabling a more sophisticated and mature view of project success.

Across all companies, on average two thirds of projects (64%) experience some problems - most commonly that they go over budget (28% of projects) or that they come in late (21% of projects). Scope creep (50%), inaccurate estimates (42%) and a lack of skilled resources (41%), as in the 2007 Project HealthCheck research report, are identified as the main reasons for projects going over budget. Figure 6 shows that PPM users experience far fewer problems with their projects - 59% of projects are problem free compared to just 26% of projects for non-PPM users.

However, where problems exist, such as budget over-runs, PPM users have far more visibility of project issues and can state more accurately the extent to which projects are going off-track. In contrast, non-users, whilst spontaneously admitting that their projects have more problems, are blindly optimistic about the performance of their projects against budget and schedule.

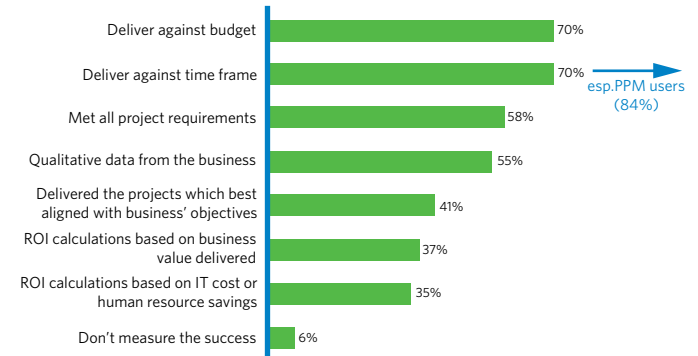


Figure 5: Measurement of project management success

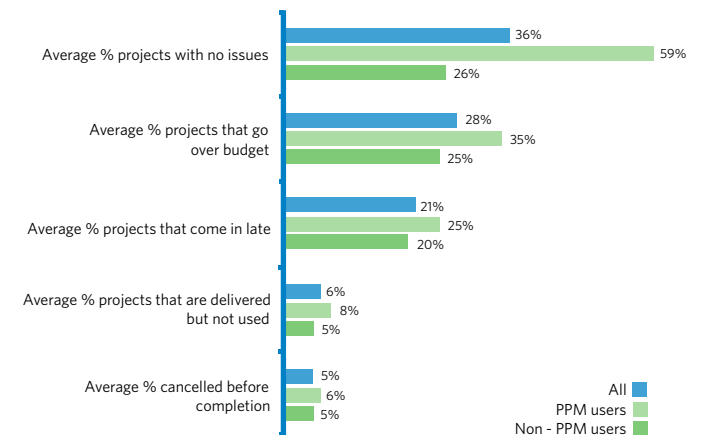


Figure 6: Average performance of projects - PPM users and non-users

**Finding:**

PPM users have more sophisticated measures of project success and a higher level of visibility across projects and portfolios, yet also experience fewer problems with their projects

**Implication:**

Those without PPM systems lack the visibility to pinpoint problem projects, are restricted to crude measures of budget and time, which are likely to be estimates at best and are more likely to have problems with projects

# PPM priorities

PPM users are seen to be more successful, more mature and more confident in terms of project performance. This clearly raises the issue of why more companies are not investing in PPM. In today's climate, unsurprisingly cost emerges as a significant barrier amongst non-users (71%), as shown in Figure 7, although this is far less likely to be mentioned by PPM users themselves. It is more telling, however, that PPM users consider that barriers to PPM investment relate to the level of maturity of companies (55%) as well as a lack of Board level support (39%). This suggests that companies need to have a certain level of PPM readiness in order to both invest and to maximise the value to be gleaned from using such systems.

The discipline of project management encompasses people and resource management, process management, technology deployed to support project management and financial management. Figure 8 shows a significant difference of opinion between the two groups in terms of which areas to improve. Non-users are focused on the people aspects of project management (43%), as this is where creaks in current practice are likely to be most painful. Interestingly, only 7% of non-users are focused primarily on getting the technology side of project management right, suggesting a quite short-termist and reactive approach rather than an investment mentality serving to align the various disciplines and create longer term value. In contrast, PPM users are more likely to be focused on improving process management (48%). This group has progressed beyond the people and resource side of project management and are now using PPM technology to enable them to become more mature and capable with their processes.

The research does show a level of interest in emerging trends - 81% of PPM users consider it important that PPM systems support Agile methods, and 32% consider Prince 2 critical for project success. This again points towards a more mature and sophisticated outlook, with PPM users looking to align project management practices with wider business strategy.

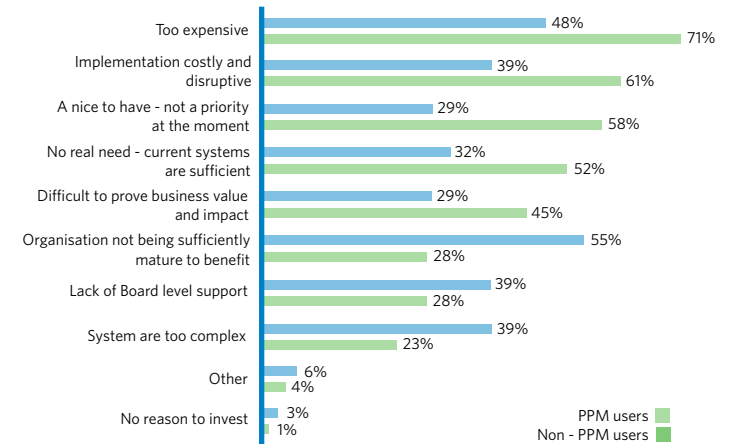


Figure 7: Reasons why businesses may not yet have invested in PPM

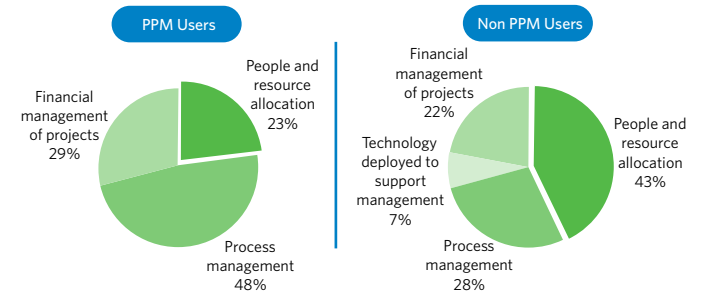


Figure 8: Areas of project management that companies would most like to improve

**Finding:**

PPM users are more mature in their project behaviours, looking beyond just people and resource issues

**Implication:**

Non-PPM users are in danger of losing ground in the project stakes as they remain focused on short term, tactical issues at the expense of longer term project value

# PPM – moving forward

Project management, by its very nature, is complex and PPM systems enable a greater number and complexity of projects to be managed. Users readily recognise the strategic value of PPM tools - 54% consider that PPM should be a delivery tool for business strategy and 58% have seen PPM being deployed more and more often as a decision tool at senior management level. These findings point to a more mature marketplace, where the value of PPM is being recognised and exploited at a strategic level.

As PPM tools have developed and companies have become more confident in using them, more value is being realised beyond the realm of IT project management. Figure 9 shows the areas in which companies believe PPM can deliver “significant value” to their business. It is notable that the majority of companies focus primarily on the base-line project and resource management capabilities of PPM systems, with other more advanced functionality and applications applied as system confidence grows. It is encouraging, however, that PPM users, can see significant value in the areas of IT service portfolio management (48%), integration with other IT management applications (48%) and demand management (42%), and this is likely to increase further as PPM systems become more embedded within wider organisational culture.

Companies were also asked if they could see any other areas within their organisation that could benefit from a PPM system for managing projects. Figure 10 shows that 81% of PPM users think PPM could be used to capture and manage the total cost of IT services, although this application has little traction with non-users at this time. Visibility drives good decision making and PPM users are slowly identifying the potential value of their systems across the wider business, from general finance management (23%), to business investment planning (23%) to new product development (19%). The opportunities are enormous for companies willing to embrace the possibilities that PPM can offer.

**Finding:**

Users readily recognise the strategic value of PPM tools and their scope for application beyond pure IT projects

**Implication:**

PPM tools have the potential to positively impact many areas of business, once usage and confidence are established

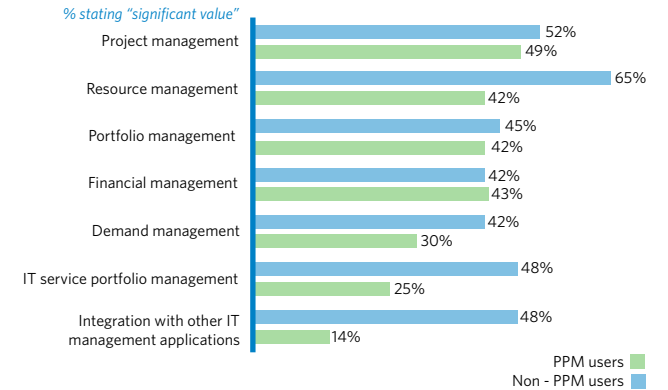


Figure 9: Value of PPM in different business areas

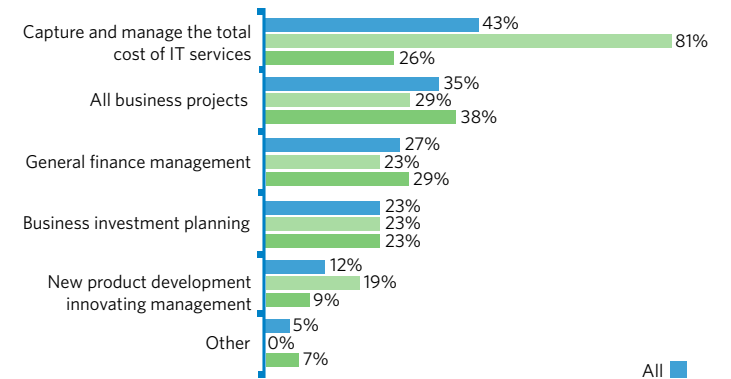


Figure 10: Other areas that could benefit from a PPM system for managing projects

# Conclusion

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IT departments are increasingly portrayed as potential saviours capable of driving the change needed to differentiate and grow in a tough economy. At the same time, they are faced with shrinking budgets and head count and often required to defend every investment and every project. Fortuitously, project management, if approached correctly, represents one discipline that can simultaneously create value and cut costs across the business.

The research, whilst recognising the value of projects to UK businesses generally, highlights that PPM adoption has a measurable impact on how businesses tackle IT challenges. At one end of the spectrum, there are companies grappling with multiple spreadsheets not necessarily designed as project management tools and essentially blind to project performance. At the other end of the spectrum are companies that have embraced PPM technology and as a result, are now able to manage a greater number and complexity of projects, with visibility of what exactly is going on across whole project portfolios and far fewer problems as a result.

This is not to over-simplify project management success into those that have PPM systems and those that do not, as the research clearly points to degrees of maturity and sophistication in terms of how technology is currently and can potentially be used.

With this in mind, however, it is still clear that poor project management costs money. In the absence of sufficient management sophistication these losses often go unaccounted for or are, unfortunately, considered part of the commercial 'norm'. Companies simply cannot afford the luxury of oversight any longer – money is too tight and resources too valuable.

Economic pressures increase the need for project efficiency and often reduce the level of resources available to execute against project completion. The survey shows that board-level impetus on IT project is already increasing and acts as an indication of how important the discipline of project management has become. With a clear expectation of continued economic challenges ahead, project management is one area of investment that IT professionals can ill afford to overlook.

*"...portfolio management, if deployed strategically, represents one discipline that can simultaneously create value and cut costs across the business."*

# Next steps - Take Control of Your IT Project Portfolio – and Deliver Improved Business Value

How can you guide your organisation to make the right IT investment decisions? What are your business initiatives that will produce revenue growth and profitability? How can you be sure that your team contributes to the company's success?

Against this backdrop, CA has developed the **Value Improvement Path (VIP)**. It's a complimentary three-step programme that reveals the power of PPM and the benefits it can bring to your business.

## Step 1: CA Portfolio Experience – Interactive PPM Simulation

The best way to discover the impact and value of PPM is by experiencing it. CA Portfolio Experience will bring to life the power of PPM in a highly interactive, enjoyable and fast paced experiential four hour learning experience. It gives you the understanding why PPM is critical to business success.

- ❑ Rescue chaotic and derailed projects by setting priorities and taking tough decisions.
- ❑ Discover how PPM Best Practice can drive success in your organisation.
- ❑ Experience Project Portfolio Management in action as the simulated business environment changes.

## Step 2: CA Value Assessment

This one day survey-based consulting session allows you to assess the concrete opportunities for value improvement in your organisation. A report, containing key priorities and gaps plus recommendations, metrics and key priorities will be delivered to address critical PPM challenges that need addressing.

## Step 3: CA Clarity PPM™ Model Portfolio

Once you are clear about your key value improvement priorities you can opt for the CA Model Portfolio, a CA Clarity PPM prototype that will show you how a PPM solution can address the gaps you identified in Step 2. This CA Clarity PPM installation can be delivered in a few days and gives you the opportunity experience the impact of PPM on your organisation.

CA Clarity PPM Model Portfolio delivers the following opportunities:

- ❑ Test-drive the CA Clarity PPM solution in a very short period of time.
- ❑ Visualise your processes and data in the CA Clarity PPM solution.
- ❑ Agree a real roadmap for value improvement.

Find out more about the Value Improvement Path at [www.ca.com/gb/vip](http://www.ca.com/gb/vip)

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