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Global Survey Gives Insight Into PPM Challenges from Project and Program Management Level

By: Mario Artt

Results of ESI's global Project Portfolio Management Survey reveal project portfolio management (PPM) challenges from a "bottom-up," project and program management perspective. Leading concerns noted by project and program managers polled in the study included:

- greater need for PPM improvement given the economic downturn;
- lack of PPM experience, tools or process in commercial and public organizations;
- redundancies and conflicts in project portfolios; and
- inconsistent project reviews with poor follow-up.

Survey respondents were project and program management professionals representing a wide range of industries including the global energy sector.

The survey provides senior manager in the energy industry with insights to guide them in charting a path to increased ROI from their project portfolios. The survey's focus on project and program managers rather than senior executives offers a reality check for energy executives to ponder.

PPM yields particular opportunities for the energy sector, which is characterized by large, capital intensive projects. Many of these large projects and programs exhibit a great degree of complexity and as a result significant risks. The proper selection and scoping of these projects and programs as well as the diligent monitoring and control is a key success factor to avoid project failure or significant overruns for these large capital investments.

Funding Challenges and the Economy

The survey's results indicate that discrepancies between expected project results and project funding and available resources are among the most pressing issues encountered by project and program managers.

- Globally, 70.5 percent of survey respondents agree that the gap between available funds and project deliverables is increasing.
- 60 percent of global survey respondents report that the funding approval process has become more complicated and time consuming. Reduced funding for projects and higher-level funding approval requirements are listed as causes.
- 70 percent of commercial survey respondents say that resourcing projects is increasingly difficult and less predictable.

More frequent changes in strategic direction were also cited by 58 percent of respondents as a challenge, with Europe appearing least affected at 48 percent and the U.S. most affected at 88 percent.

The energy sector is especially affected by instability of the global economy and political instability in regions that are critical to the sector. As a result, strategy changes more frequently, and even budgets for supporting activities outside of the core business may be impacted, as margins become less predictable.

Imbalance in People, Process and Tools

While many organizations have taken a tool-centric approach to improving PPM, equal attention should be paid to people and process improvements. Survey responses define a need to close critical skill gaps in project and portfolio management, and improve PPM processes. Consistent methods for project selection, approval and review as well as greater PPM agility to respond to strategic changes are imperative to maximize portfolio benefits.

In fact, more than 50 percent of all respondents observed portfolio management challenges as a result of people-, process- and tools-related deficiencies. With only 27 percent reporting the use of a software-based PPM solution, integration of adequate tooling into the PPM process also appears to be an issue.

PPM Process Gaps

Survey responses revealed clear indications that a lack of PPM process maturity can ultimately affect organizational success.

- 71 percent of respondents report redundancies and conflicts in project priorities.
- Fewer than half of respondents agree that a consistent approach for screening, prioritizing, selecting and approving projects is defined and applied in their PPM process.
- Resource conflicts and work overload for critical resources were reported by 73 percent of respondents, with the U.S. commercial sector reporting 85.6 percent.
- Only 29 percent of respondents consider their organization mature or very mature, in respect to their PPM process.

PPM Basics Overlooked

Some foundational aspects of project oversight and management response hinder PPM success in practice.

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- A considerable number of organizations do not perform any project reviews. Specifically 17.1 percent of U.S. commercial respondents reported no project reviews are performed.
- 39 percent of respondents stated that corrective action is taken quickly as a result of the project review process.

Identifying the issues and challenges in the PPM process from the level of project execution provides insights needed to improve fundamentals that underlie PPM process success. A focus on adequate process definition and the training of all PPM stakeholders is essential to improving the PPM process and ultimately, the achievement of overall strategic goals.

While many of the conclusions apply across industries, PPM yields significant opportunity in the energy sector, due to the severity of the challenges presented today. PPM will allow organizations to be better prepared for the unprecedented pace of changing business conditions and the increasing need for highest possible success rates of its complex and projects and programs, which directly translate to significant business risks and opportunities.

Survey Methodology

ESI's Project Portfolio Management Survey was conducted online during April and May 2009. Email requests to complete the 28 close-ended questions were sent to project and program management professionals representing government as well as commercial industries in the U.S., U.K., Europe and Asia. The 470 respondents reported project portfolio sizes ranging from less than 10 to greater than 1,000 annually. Not all respondents answered every survey question.

The full ESI Project Portfolio Management (PPM) Survey report is available for free download at www.esi-intl.com/ppmsurvey. A Webinar, Project Portfolio Management in a Time of Significant and Rapid Change, discussing the results may be viewed on-demand at www.esi-intl.com/ppmwebinar.

Mario Arlt, PMP, Vice President of Client Engagement, ESI International, has more than 15 years program and project management experience in business and technology, including the energy sector. At ESI Mario is responsible for the successful execution of learning programs and other services that support client needs in the areas of project and portfolio management. Prior to joining ESI, Mario was a Director for Business Strategy and Implementation at Siemens Energy Services. At Siemens, Mario also established and managed the Process & Project Management Group, an internal advisor to the Operating Businesses of the SIEMENS Corporation. Previously, Mario worked for KPMG Management Consulting and PricewaterhouseCoopers Consulting and served numerous U.S., European and Asian Global 500 clients. As a member of the Project Management Institute, Mario has been a contributor to the Project Portfolio Management Standard of the PMI.

Mario holds a Master's degree in Economics from the University of Konstanz, Germany and is currently completing his PhD studies in Project Management at the Royal Melbourne Institute of Technology, Australia with a doctoral thesis on portfolio management.

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