PMI’S PULSE OF THE PROFESSION

Driving Success in Challenging Times
Trends to Watch for in 2012

As we look at the state of project, program and portfolio management in 2012, we see that a number of global dynamics are forcing organizations to take a more critical look at their practices. Slow economic growth, shifting global market priorities and a push for innovation all make for a very complex and risky business environment and put additional emphasis on the need for excellence in project, program and portfolio management. As the world’s largest project management association, PMI comes in contact with many examples of excellence in these areas. However, we know that even the best, maybe especially the best, are always looking to improve.

PMI’s Pulse of the Profession is an annual global survey of practitioners and project management leaders. The latest survey contains feedback from over 1,000 professionals across a variety of experience levels and industries.

Here are some areas of focus we anticipate for 2012:

- **Organizations will renew their focus on talent development as they look to grow and gain competitive advantage in new markets.** When we asked PMO managers about the most critical factors for success, the skill sets of their project and program managers were a top concern. Our 2011 PMI Project Management Salary Survey found that nearly 70% of organizations now have a career path for those engaged in project or program management. However, the majority of these are still informal and not clearly defined and in writing.

- **Tight economic conditions will continue to force the issue of good project portfolio management.** Selection of the right projects and resourcing those projects for success will be seen as critical to the efficient achievement of an organization’s strategy. Over half of respondents report frequent use of project portfolio management in their organization, an increase of five percentage points from the previous survey. According to a 2011 survey on PMI’s The Standard for Portfolio Management, financial and budget management is the second most important aspect of portfolio management, after providing “big picture” visibility to executives.

- **As organizations continue to strive for agility in order to leverage ever-shifting market conditions, change management and project risk management will become even more important core competencies.** One of the more interesting aspects of the survey results is that many of the findings show the value of the project management basics. As two examples, our survey finds that over 70% of respondents always or often use change management and risk management techniques to manage their projects and programs and that these practices lead to higher success rates. For some, a refocus on excellence in basic project management execution may be well rewarded.
The desire for organizational agility will also lead to increased use of iterative/incremental project management methods such as agile and extreme. Our survey finds that over one quarter of respondents now use agile project techniques on a frequent basis and the figure is trending up. Agile methods in project management was also the number one requested article topic according to PMI’s 2011 PM Network® Readership Survey.

Despite tight economic conditions, organizations have been and will continue to increase their focus on benefits realization (in addition to cost and time) as a project and program success metric. Research conducted with senior project management leaders on PMI’s Global Executive Council found that the most important skill for managing today’s complex projects and programs is the ability to align the team to the vision of the project and design the project’s organizational structure to align people and project objectives. This more strategic view of the project helps maintain a focus on the intended benefit the project was meant to deliver. Likewise, the portfolio managers who responded to our survey on The Standard for Portfolio Management rated value capture/benefits realization as the topic they were most interested in learning more about after strategic management.

As in last year’s study, we again see a clear and positive return on the investment that organizations are making in maturing their project, program and portfolio practices. In fact, in this report we highlight some practices that can help improve success rates over ten percentage points.

Mark A. Langley
President and CEO
Project Management Institute
In order to understand what differentiates highly successful project management from less successful project management, it is best to step back and look at the big picture: the environment in which projects are operating today. We note three inter-related drivers that are impacting many organizations today: slow economic growth, shifting global market priorities and a push for innovation—not just in product design, but in strategy and execution as well.

**Slow Economic Growth**

In late 2011, the Economist Intelligence Unit lowered their forecast for global growth for 2012, stating that “Global economic conditions have deteriorated... (we have) accordingly lowered forecasts for both the euro zone and the United States. We now think that the euro zone will suffer an outright contraction in GDP in 2012, and that U.S. growth will fall below 1.5%.”

Global GDP growth is projected to fall from the 5% achieved in the pre-recession year of 2007 and the stimulus-laden year of 2010 to a projected 3% in 2012. There is simply less growth to go around today. That means organizations have to be better than ever just to be as successful as they once were. We see some evidence of how this is impacting projects from our own Economic Pulse Survey. Results from the most recent survey show that both the percent of project cancellations as well as the percent of professional development cancellations held at relatively high levels throughout 2011. About 40% reported that their company had cancelled or delayed projects and professional development training due to economic conditions. Although that is down from the peak of just over 50% in early 2009, it still shows the economy is having a real impact on projects and project managers.

**Shifting Global Market Priorities**

Another closely-related dynamic is a fundamental shift that is taking place in terms of priority geographic markets. A 2011 global CEO survey by PricewaterhouseCoopers (PWC’s Growth Reimagined) found that the large majority of corporate executives have shifted their primary focus to developing markets. Although doing business in these markets is nothing new, making them the primary target market, where firms plan to invest the majority of their efforts and expect the majority of their future sales, is new and significant. While these markets certainly present great opportunities, the growth rates there are slowing too and the competition is palpable. The implications in terms of change projects are vast. Interestingly, when we asked respondents in our Pulse of the Profession survey why projects fail, the most common answer was “there was a change in organizational priorities.”
The Push for Innovation

A third dynamic was captured in a recent report from Wipro and Forbes Insights (Growth Strategies for 2012 and Beyond) and finds that “strategic innovation is more important than ever for driving growth at the world’s largest companies. Under pressure to differentiate their businesses after the 2008-2009 recession, and with emerging markets playing a more critical role in future growth plans, business leaders believe their ability to innovate is what will set them apart.” The global survey found that 68% of surveyed executives agree that “innovation is now more important than it was prior to the recession.”

64% of projects successfully met their original goals and business intent in 2011.

Which means...over one third did not.

What differentiates those organizations with higher success rates from those with lower success rates?

Trending Practices

Our survey finds that organizations are increasingly using a wide variety of means to drive their projects and programs (Figure 1). The percent of organizations that have a PMO now stands just above the two-thirds mark (67%) and nearly that many (63%) have standardized their project management practices across all or most of their enterprise. Frequent use of change and risk management techniques remains high, as does the use of formal program management. The use of portfolio management is on the increase as well, with 55% saying they use it frequently. The survey also shows that the use of agile project management methods (such as Scrum) is also on the increase.

Unfortunately, the one area that showed a significant decrease from our previous survey is one of the most important: formal “talent management” processes to develop project managers. Potentially a result of the challenging economy and popular austerity measures, some firms appear to be cutting back on developing their project management staff.

Figure 1: Common practices, 2010-2011.
Making a Difference?

Are these practices making a difference? According to survey respondents, organizational project management maturity is improving (Figure 2). Twenty percent describe their organizations as having "high" overall project management maturity, up from 11% in 2006. Perhaps not surprisingly, larger firms tend to report higher maturity levels. Nearly 30% of firms with at least US$1 billion in annual revenues report a high maturity level compared to just 10% of those with annual revenues under US$50 million. Certain industries also are more likely to report high maturity; retail, consulting, aerospace, IT and telecommunications are among the highest.

Further analysis shows that the reported maturity level does in fact correlate with on-time and on-budget project delivery (Figure 3). Those reporting high maturity levels outperform low maturity organizations by 28 percentage points for on-time project delivery, 24 percentage points for on-budget delivery and 20 percentage points for meeting the original goals and business intent of projects.

![Figure 2: Reported "high" organizational project management maturity.](image)

<table>
<thead>
<tr>
<th>Reported Organizational Project Management Maturity Level</th>
<th>% of on-time projects</th>
<th>% of on-budget projects</th>
<th>% of projects meeting original goals and business intent</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>67%</td>
<td>68%</td>
<td>73%</td>
</tr>
<tr>
<td>Medium</td>
<td>55%</td>
<td>58%</td>
<td>67%</td>
</tr>
<tr>
<td>Low</td>
<td>39%</td>
<td>44%</td>
<td>53%</td>
</tr>
</tbody>
</table>

![Figure 3: Project outcomes by maturity level.](image)
Success Factors

Back to our original question, why do 64% of projects meet their original goals and business intent while the other 36% do not? According to the PMO and portfolio management leaders we surveyed, the most critical project success factors include:

- **Talent**: Staffing the team with appropriately skilled people
- **Project Management Basics**: Taking the time to create a realistic implementation plan
- **Executive Sponsorship**: Ensuring top-level management support for the project
- **Focus on Benefits**: Clearly defining the expected benefits from the project
- **Change Management**: Effectively managing change associated with the project

To help validate the feedback we received from these PMO and portfolio management leaders, we ran a simple analysis to see which behaviors improved on that 64% average (Figure 4). While the old adage that “correlation does not equal causation” still applies, a logical case can be made to support many of the differences we found. As mentioned above, the number of PMOs is on the increase; however, our study found that simply having a PMO does little to improve success rates (those with a PMO have only a 1% advantage over the study average). We also are seeing more agile project management, which has a positive, albeit weak correlation with increased success. Practices such as frequent use of change management and risk management and even certifying project managers appear to have more significant impacts on success rates. However, the greatest correlation comes from an interesting place; above. Those organizations that have active project/program sponsors on at least 80% of their projects have a success rate of 75%, eleven percentage points higher than the average.

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**Figure 4**: Percent of projects meeting original goals and business intent by those using various practices.
The Bottom Line

Responders to this study told us that when a project fails, an average of one-third of that project’s budget is lost for good. Taken with the analysis in the previous section that shows that on average 36% of projects do not meet their original goals and business intent, organizations are putting at risk twelve cents for every dollar spent on projects. Therefore, just over US$120,000 is at risk for every US$1 million spent on projects.

The size of project budgets managed by respondents in this study varies widely. However, the average project budget is US$4.1 million, so the total amount put at risk is actually even greater. Moreover, the practices listed in the previous section that improve success rates by even five or ten percentage points start to pay real dividends (Figure 5).

Figure 5: Estimated dollars at risk (in USD) per project by success rate and project size.
About the Study

PMI’s Pulse of the Profession is an annual global survey of practitioners and project management leaders. The latest survey contains feedback from over 1,000 professionals across a variety of experience levels and industries.

We conducted this study in late 2011. Respondents represent all aspects of the project, program and portfolio management profession; 14% have practiced project management for less than five years, 37% for five to nine years and the remaining half for ten or more years. Just over 40% have project manager roles (at varying levels), 15% have program manager roles, 3% are portfolio managers and 6% are directors of PMOs or program management departments.

In terms of industry representation, 22% of respondents work for IT firms, 13% for financial services firms, 8% in government, 8% in telecom and 7% in construction/engineering. However, regardless of the primary industry of their employer, the slight majority of respondents (60%) primarily work on IT-related projects, followed by engineering projects. Of note is that one quarter of respondents work on “business transformation projects.”

In terms of the sizes of organizations represented, 19% have annual revenues less than US$50 million, 35% are between US$50 million and US$1 billion and 47% have revenues over US$1 billion per year. Likewise, the average size of projects managed ranges from under US$1 million (52% of the respondents) to over US$10 million and above (15%) and all points in between (33%).

About PMI

Representing more than half a million practitioners in more than 185 countries, PMI is a global thought leader and knowledge resource. PMI advances the profession through its global standards and credentials, collaborative chapters and virtual communities and academic research. When organizations invest in project management supported by PMI, executives have confidence their important initiatives will deliver expected results, greater business value and competitive advantage. Learn more at PMI.org.