

# PINNING DOWN THE BENEFITS

*Our latest survey finds users struggling to cost-justify their project portfolio management software, says Pat Sweet.*

Keeping track of progress on highly complex and time-critical projects is a major challenge. When milestones are missed, the results can be both financially and publicly painful – as the latest difficulties to hit the new Wembley stadium demonstrate only too well. Technology has an obvious role to play in providing support for scheduling resources, as well as supplying the kind of management insights that can help organisations ward off potential problems before they threaten the success of a project.

Sectors like construction and engineering – where (Wembley notwithstanding!) understanding of project management disciplines is well developed – are long-time users of specialist solutions aimed at this market. These project management packages often use familiar concepts such as Gantt charts and are an effective means of automating existing practice.

In addition, the last few years have seen the advent of professional services automation (PSA) packages. These are designed to meet the needs of legal firms, architectural practices, IT services companies and the like, which have to run a range of projects for external clients while keeping a close eye on billing and resource implications.

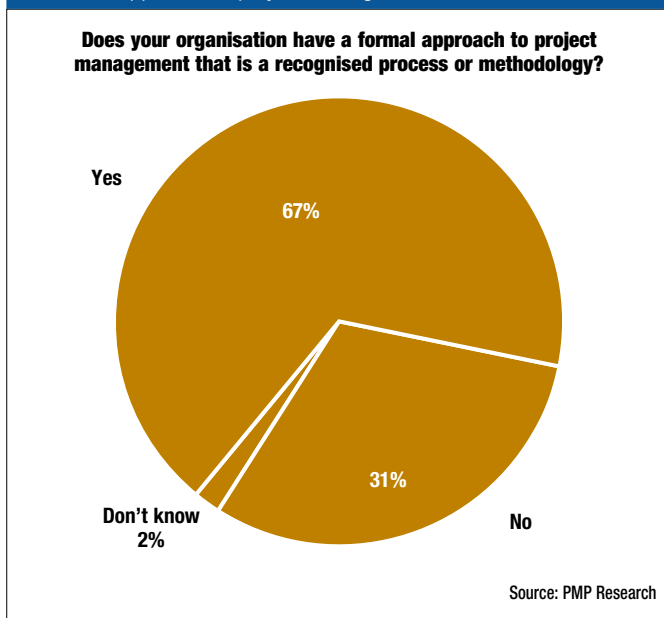
The sort of charting facilities common in traditional project management tools are less important here than web-browser facilities which allow for easy dissemination of key data.

## Convergence

Now, the boundaries between these two types of solution are starting to blur. Project portfolio management (PPM) describes a wide range of technology, including traditional project management tools, PSA solutions, business intelligence offerings and enterprise integration software, all aimed at reducing the risks associated with running projects and improving the outcomes.

This year, as previously, a large proportion of the companies in our survey (73%) are using Microsoft's Project package, often along with a range of other software options. One of the reasons for this package's popularity is that it offers users a familiar way of working and one which dovetails with their other desktop solutions. However, it would be a mistake to think organisations do not see running a project as a distinctly different activity from the normal run of office procedures. Two-thirds of those polled (67%) have adopted a formal approach to project management which encompasses a recognised process or methodology (see Figure 1).

FIGURE 1: Approach to project management

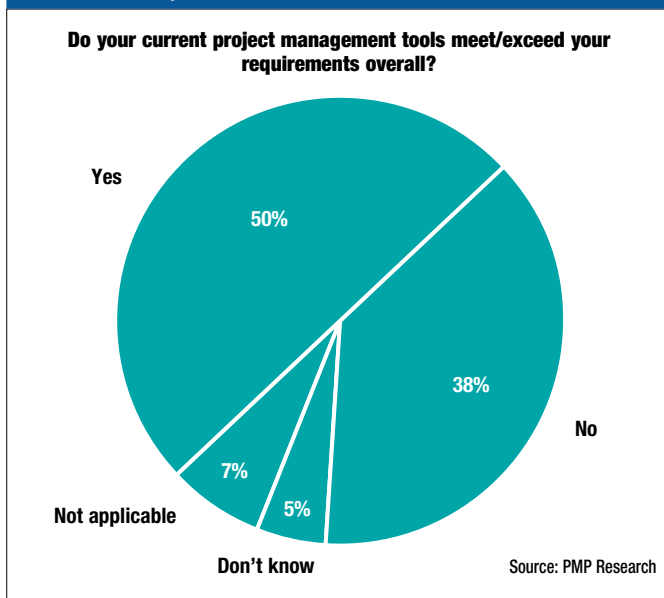


Respondents are evenly split between those who use a standard project management approach such as PRINCE (44%), and those who have developed their own home-grown methodology (44%). The remaining 12% use an approach that was developed for them by external consultants or advisors. Disappointingly, however, only half (55%) believe their existing methodology is fully supported by their current choice of PPM solution. For the remaining 45%, this is not the case.

Regardless of which type of technology or methodology they choose, organisations have one key goal in adopting PPM: to improve project visibility. The capability to keep a close eye on progress comes top of the list of reasons for using any project management tools (80%), well ahead of the desire to improve resource allocation (63%) or the wish to reduce milestone delivery risks (56%).

Overall, organisations are much more focused on day-to-day project concerns than developing longer-term project guidelines.

FIGURE 2: Quality of software



For example, the requirement to save time and money by automating routine tasks (nominated by 51%) is rated more highly than the ability to create metrics for use on subsequent projects (44%) or having the chance to re-use knowledge (41%). Only a very small proportion (7%) expect to be able to identify new business opportunities by using such software.

### Software ratings

Given that most companies are hoping to improve their performance on a particular project, rather than develop a knowledge base for future work, most report some success. Overall, half of those polled (50%) believe their current PPM solutions either meet or exceed their requirements, as shown in Figure 2. However, a third (38%) are unhappy with the performance of their chosen software.

With such a diverse group of companies taking part in the survey, and such a wide range of possible requirements, it is not easy to pinpoint exactly what is going wrong, but there

seem to be two particular areas of concern. The first is the difficulty of achieving a consolidated view across different projects. This is important for organisations who may be running several projects for different clients, all calling for similar expertise or resource requirements. Making sure each project has a share of what is available, or calling in additional resource if needed, is very important. While 43% of the sample say their current PPM tools allow them to do this, the same proportion (43%) report that they cannot. Yet only 7% say they have no need for such a facility – suggesting that some companies are struggling in this area.

Secondly, there are similar problems in managing a portfolio of inter-dependent projects using existing PPM tools. Although 8% find this task 'very easy' and 23% 'easy', the majority (44%) admit this is a challenging requirement for them to meet. A further 10% describe it as 'very difficult', and only 10% say they do not face this particular need. So while companies may be handling individual projects well, and keeping a firm grip on progress, they are having trouble getting an overview of all their projects currently underway.

This would certainly help to explain why the proportion who think it is 'easy' for their organisation to allocate resources and skills to projects using their current tools (37%), is exactly the same as the proportion who find this task 'difficult'. It all depends on whether companies are contemplating one project or multiple projects. There is also considerable difference in how much automation companies have applied to some of the common processes in project management. Two-thirds (68%) continue to use manual methods for recording expenses, for instance, and 44% have manual time recording processes (see Figure 3). Yet

FIGURE 3: Time and expenses recording

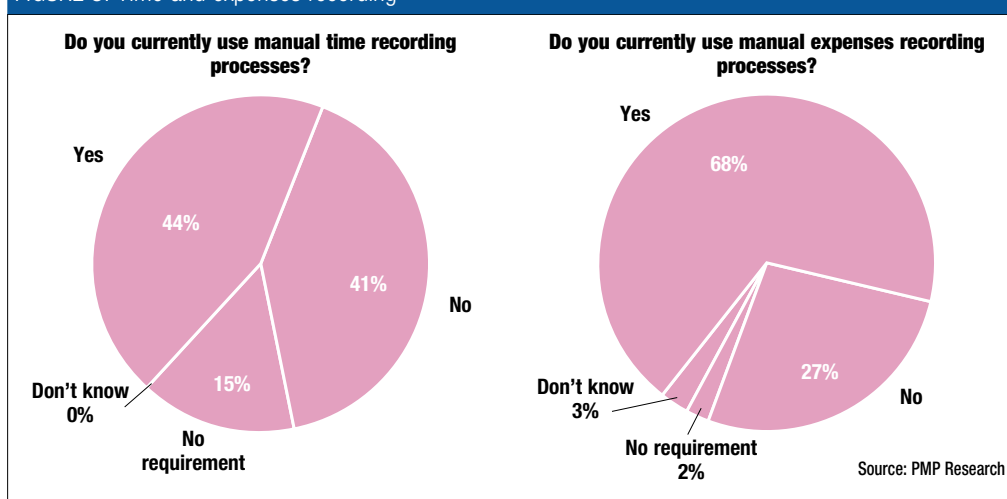
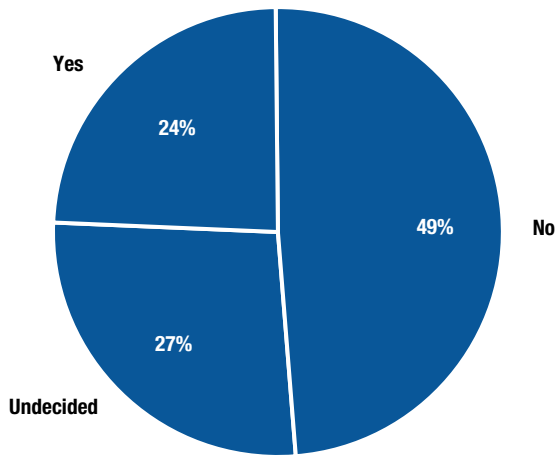


FIGURE 4: Automating project planning

**Do you have plans to purchase any software for project planning and administration in the next two years?**



Source: PMP Research

both these activities, while vital to maintaining a clear view of the costs and time allocated to projects and to control billing, are essentially routine tasks which are prime candidates for computerisation. Similarly, only about a third have an automated approval process either for time billings (33%) or expenses billings (29%) on particular projects.

Similarly, the level of integration between organisations' project management system and their other key operational systems remains quite low. PPM systems are most likely to be linked to financial systems (39%) – so that billings and payment information is passed over directly – and to procurement systems (27%). However, the level of integration with other operational applications is much lower. Just 17% have connections from their PPM applications to their sales systems, and only 13% have integrated PPM with their HR systems, despite the fact that staff availability, key skills and past experience are important factors on any project.

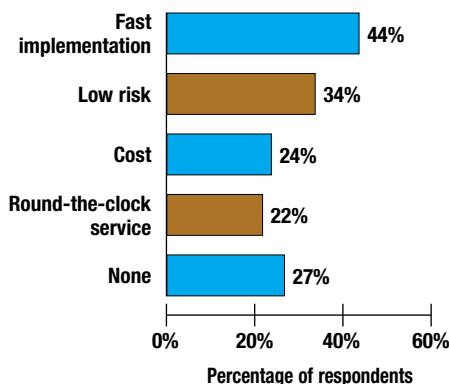
Looking to the future, a quarter of the sample (24%) intend to buy software to handle project planning and administration at some time in the next two years (see Figure 4). A similar proportion (27%) are undecided about any purchases, while 49% have no plans to buy. The main reason for holding back on adopting PPM solutions is the cost and difficulty associated with any implementation (51%), closely followed by the cost of the software itself (46%) and the need to re-organise business processes (46%).

There is, of course, one option which would reduce the impact of these factors. Using an external or hosted service such as ASP (application service provision) to access project management or PSA software would absolve organisations from the need to invest large sums in buying and running the same software inhouse. Our respondents are evenly split as to whether this approach would suit them, with 43% indicating they would consider a hosted service and 47% ruling it out. The remaining 10% are undecided.

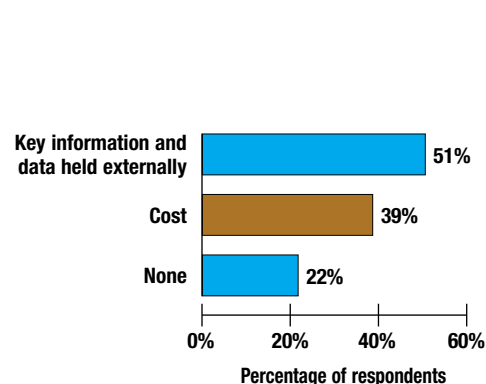
As Figure 5 shows, the main benefit of using an external service is seen as faster implementation (44%), along with lower risk (34%) and reduced cost (24%). Significantly, 27% of the sample cannot pinpoint any advantages to going down this route, while half (51%) say they are concerned about the possible implications of allowing key information and data to be held externally.

FIGURE 5: Use of hosted services

**What are the benefits of using a hosted service for PPM software?**



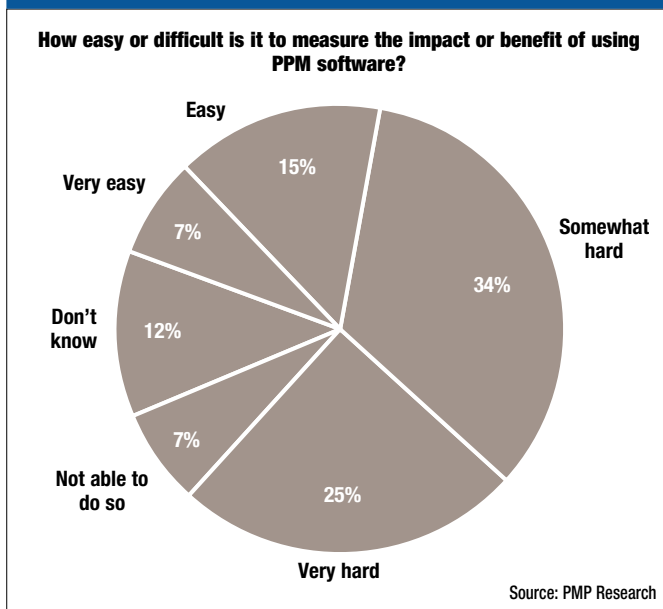
**What are the drawbacks of using a hosted service for PPM software?**



Note: respondents could choose all that apply

Source: PMP Research

FIGURE 6: Benefits measurement



Respondents are much more enthusiastic about web-based PPM solutions. The majority (59%) say they are more likely to buy or use such packages compared to standalone software (24%). The big advantage of web-based PPM is that the facilities are accessible from any web-equipped location, according to 54%.

While online access is a key driver for buying PPM solutions, the need to ensure transparent audit trails – in order to meet new corporate governance demands such as Sarbanes-Oxley – is clearly not. Despite predictions from some analysts, 71% of the sample say this requirement has had no impact on their use of PPM or future purchase plans in this area.

Of more pressing concern to both users and vendors is the continuing difficulty companies face in assessing the value of PPM solutions to their organisation. Respondents are divided as to how easy it is to build a business case for

introducing such software, with 42% saying this is a simple task and 45% maintaining it is hard to develop a watertight argument.

Companies are in broad agreement that the main criteria for measuring the success of any implementation are better management visibility on projects (73%), cost savings (71%) and improved resource utilisation (66%). However, a third say it is 'somewhat hard' to measure the impact of any PPM software and a quarter (25%) believe this to be 'very hard', with 7% unable to make any such assessment at all (see Figure 6).

While many companies are happy with the performance of their PPM systems, it is this inability to calculate the true worth of PPM to the organisation as a whole which is holding back future investment.

● *Pat Sweet is the research analyst for PMP Research. If you are interested in this study, please contact Steve Markwell at PMP Research. Email: [stevem@pmpresearch.co.uk](mailto:stevem@pmpresearch.co.uk).*

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## SURVEY STATISTICS

This year's survey includes some very large organisations, with 20% of respondents reporting an annual turnover of between £150 million and £1 billion, 10% a turnover of £1 billion to £5 billion and 12% topping the £5 billion mark. However, further down the scale the views of smaller companies are also represented, with 17% in the £5 million to £10 million turnover bracket, and another 17% falling into the £10 million to £50 million range.

Over half the respondents (58%) are professional services providers with commercial clients. A quarter (25%) describe themselves as inhouse service providers, while 7% are a mix of the two categories. Some have considerable numbers of project or service professionals – 10% have between 500 and 1,000 employees in this category, and another 10% report more than 1,000. At the other end of the range, 17% have up to 10 such employees, 27% record between 10 and 50 and 14% between 50 and 100.