

## SLOW AND STEADY

*UK companies report gradual rather than spectacular progress towards adopting project management and PSA software. Pat Sweet finds out why.*

Project failures remain a major management problem. Recent headline-grabbing disasters include the renovation works at Bath's famous spa – where the local authority has finally pulled the plug on a millennium project which has massively overrun on both cost and time – and ongoing issues with the planned upgrades to the Government's Child Support Agency computer systems. And it's not just the public sector which is having trouble bringing complex projects to a successful conclusion. There are many examples of commercial companies struggling to hit critical deadlines and meet key user expectations.

Some industries, notably construction and engineering, have a long tradition of using sophisticated project management tools to handle their requirements. More recently, service organisations such as consulting firms, architects and lawyers – who have to manage staff deployment and billing over a range of different projects – have had recourse to specialised professional services automation (PSA) software. In both these areas, the latest PMP Research survey suggests that, slowly but surely, organisations are starting to place more reliance on project management and PSA technology.

But while such software is becoming a central element in their attempts to keep projects on track, difficulties in developing a convincing business case are causing concern for many companies. Of the organisations polled (see Survey Statistics box, below), the overwhelming majority (92%) make use of Microsoft Project as a project management tool – often in conjunction with other, more specialised software packages.

As Figure 1 shows, the majority (88%) have also adopted a formal approach to project management, most commonly a recognised methodology such as PRINCE (52%), or a home-grown methodology which has been developed inhouse (32%). This indicates a mature approach to project management – and yet this view is somewhat undermined by the discovery that only half the respondents believe their chosen methodology is fully supported by their current project management or PSA solutions.

This discovery may well be one of the reasons why around half of those polled (54%) are disappointed in the performance of their current project management tools. Only a third (36%) of companies reckon their present choice of software either meets or exceeds their requirements, with 10% undecided. The main motivation for using such tools remains the desire to improve project visibility, cited by 86% (see Figure 2, below). Reducing milestone delivery risks (78%), along with improving resource allocation (76%) are also key goals.

FIGURE 1: Project methodology

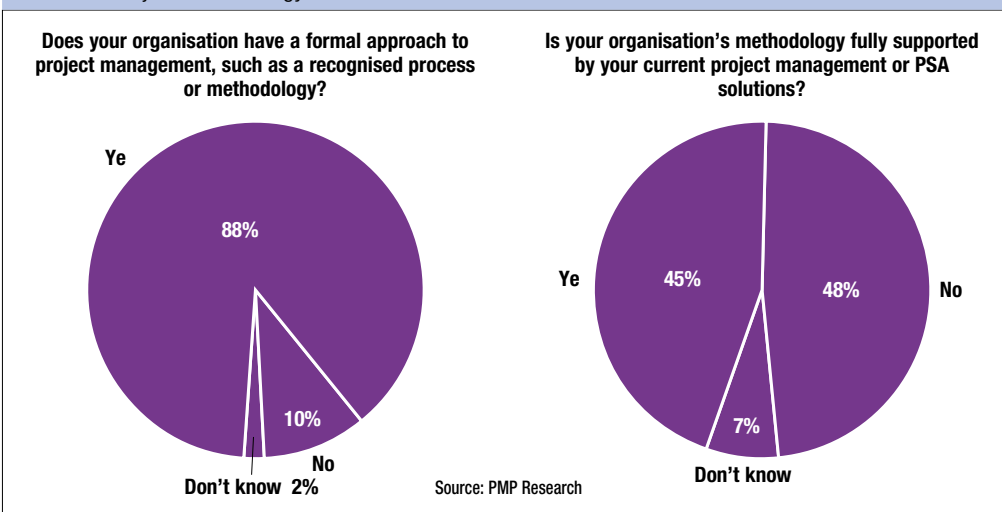
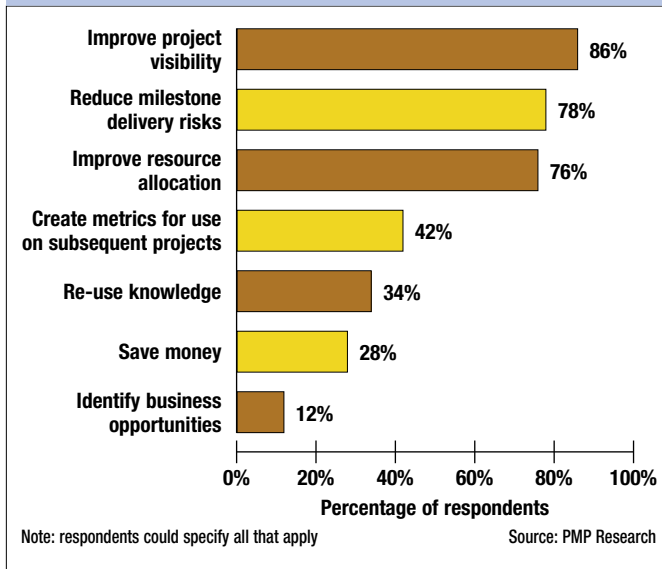
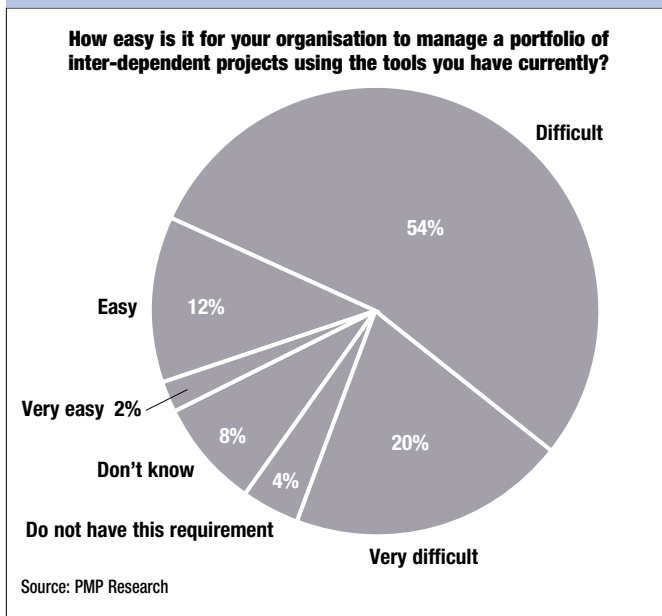


FIGURE 2: Main reasons for using project management tools



All three of these aims have to do with the immediate issues raised in handling live projects. Significantly, companies show themselves to be much less concerned about longer-term benefits, such as the ability to create metrics for use on subsequent projects (42%), or the chance to re-use knowledge gained on a particular project (34%). These findings point to many companies using project management and PSA software as fire-fighting tools – rather than as a technology which can help them manage projects more successfully in the longer term, by allowing them to learn from previous experience or even previous mistakes. What is more, even at the tactical rather than the strategic level, companies are struggling to manage some of their key requirements.

FIGURE 3: Multi-project management



Take resource allocation, which emerges as a critical area for improvement. Although 84% say their current system allows them to track resource allocation, and 64% can also track resource utilisation, three-quarters concede that they are having problems in this area. While more than half (59%) report that it is 'difficult' for their organisation to allocate resources and skills to projects using the tools they have currently, a further 16% label this task as 'very difficult'. More worryingly still, none of those polled are prepared to describe this process as 'very easy' and only 19% feel it is 'easy'. Yet just 4% reckon they do not need to do this, suggesting the majority are struggling with what is widely viewed as a very common requirement.

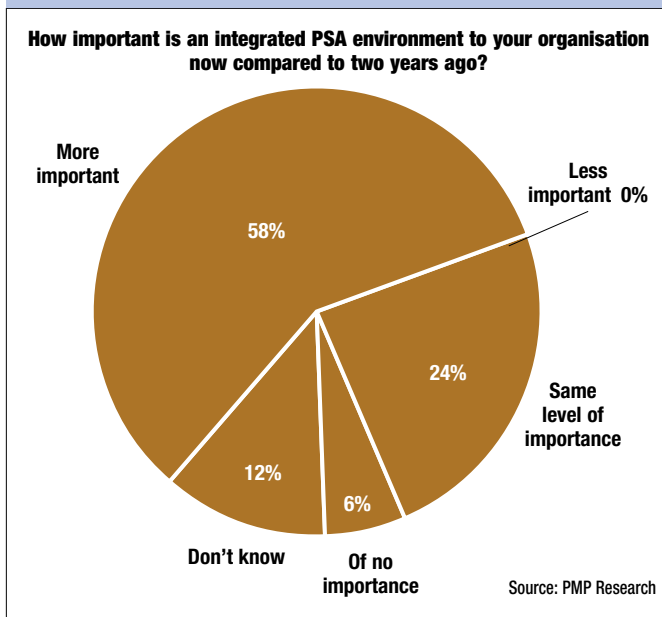
It is a similar story when it comes to managing a portfolio of inter-dependent projects, a challenge which many professional services organisations frequently face. Again, three-quarters of those polled report major problems, with 54% describing this requirement as 'difficult' to manage and 20% calling it 'very difficult'

(see Figure 3). Yet there are successful approaches to pursue – although many of those in our survey are faltering at the first hurdle, since 60% report that their project management tools do not support a consolidated view across projects.

Even less sophisticated facilities are taking a while to catch on. Two-thirds (65%) of respondents continue to use manual expenses recording processes while around half (48%) use manual time recording processes, despite the fact that both procedures are obvious candidates for automation. These findings indicate that companies tend to use project management and PSA solutions in isolation, divorced from other activities and applications. However, this year's survey shows that companies are making greater attempts than in the past to integrate such software with other operations.

Getting on for a quarter (22%) say their current project management system is integrated with their financial systems, and 10% report this is also the case for HR and procurement applications. This is significant, since money and people resources have an obvious impact on project outcomes. Previously, the levels of interconnectivity have been much lower. Last year, for instance, none of the companies in the sample reported links between their project management

FIGURE 4: Integrated PSA



system and HR, and only 16% had integrated with their financial systems.

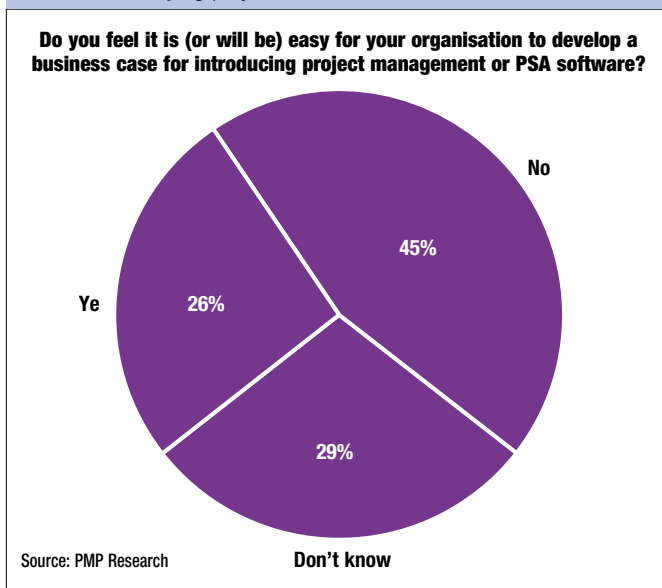
Significantly, 22% of those polled now maintain that an integrated PSA environment is either 'very important' or 'business-critical' for their organisation, with the majority (58%) declaring that such an option is now more important than it was two years ago (see Figure 4). None feel this option has reduced in significance, while for a quarter (24%) the situation remains unchanged. In fact, a quarter of companies have either already installed a PSA solution (6%) or will be doing so within two years (20%). A further 14% intend to move to a PSA environment over the next five years and just 12% rule this out completely as an option.

The main barriers to adopting such a solution emerge as concerns about the cost or difficulty involved in implementation (46%), coupled with worries about the need to re-organise business processes to accommodate the new software (42%).

Looking at this last point in more detail, three-quarters believe that introducing PSA or project management software calls for either 'substantial' business process re-engineering effort (24%) or 'some' business process engineering (50%). Only 18% reckon operations will be carried out exactly as before, with 8% uncertain.

Although companies show themselves to be convinced of the merits of using project management and PSA software – since they are gearing up to introduce more such solutions in the future – they face some very real battles in getting approval for such purchases. Nearly half (45%) concede that it will be difficult for their organisation to develop a business case for introducing such technology (see Figure 5).

FIGURE 5: Justifying projects

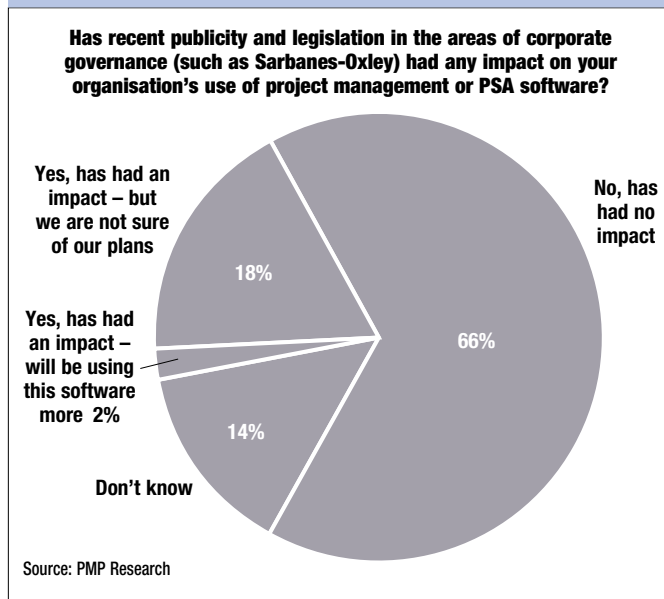


This is almost double the proportion (26%) who maintain that the benefits of project management and PSA make building such a case very straightforward.

Part of the problem seems to lie in the difficulties almost all companies have in pinning down those benefits. Just 10% maintain that it is either 'very easy' (2%) or 'easy' (8%) for them to measure the impact that project management or PSA software has on their company's performance. In stark contrast, half (49%) believe it is 'somewhat hard' to gauge benefits accurately, if at all, with a quarter (23%) feeling that this is a 'very hard' task to perform.

In fact, companies demonstrate strong agreement about the top three criteria for assessing the success of any implementation: better management visibility (80%), improved resource utilisation (76%) and cost savings (70%). However, as one respondent points out: "Cost savings are the only driver likely to prove acceptable, while better management visibility is likely to be the only one that can be put forward." Certainly, respondents do not anticipate asking for a substantial slice of budget to support any project management or PSA implementation, since a third (36%)

FIGURE 6: Impact of new regulations



estimate that the most they would want to pay per user to buy and deploy such a solution is less than £500. Only a small proportion are prepared to invest more, with 10% saying they would be willing to put in between £500 and £1,000 and 6% indicating they could spend anything from £1,000 to £5,000. The remainder would not be drawn on the topic.

The difficulties in providing a watertight cost justification for using project management or PSA software, coupled with an obvious reluctance to open the corporate purse any wider than necessary, are reasons why progress towards using this technology is slow and steady rather than spectacular. But sometimes internal barriers such as these can be overturned if there is a strong enough push from an external driver.

One such factor is the recent publicity and legislation in the area of corporate governance, with companies

now required to track their performance and financial results in much more detail than before. However, although project management and PSA packages include features that would help with new demands (such as those of Sarbanes-Oxley), there is little sign of companies rushing to sign up as a result.

Just 2% of our sample report that such developments have had an impact and will lead to greater use of project management or PSA software (see Figure 6). A further 18% are unsure as to how their plans will change, but a two-thirds majority (66%) say that corporate governance requirements are having no impact whatsoever. Without an external driver for action – or a clear set of benefits to aim for – many organisations are going to have a hard job persuading the powers that be to invest in project management or PSA solutions.

Yet down at the ground level, where the projects are managed, there is a growing acceptance of the advantages such solutions can deliver. At the moment, that makes many implementations seem like a triumph of hope over analysis.

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## SURVEY STATISTICS

Our survey includes companies of varying sizes and from different industry sectors, although the majority are larger organisations. A third (36%) report an annual turnover of between £150 million and £1 billion, with a further 14% falling into the £1 billion to £5 billion category and another 14% topping the £5 billion mark. Towards the smaller end of the range, 16% are in the £10 million to £50 million bracket and 10% have a turnover of between £50 million and £100 million.

Respondents are evenly split between those who are professional services providers with commercial clients (25%), and those who are inhouse service providers (29%) – with 19% describing their organisation as a mixture of the two. The public sector, which has a long history of complex projects and significant inhouse service provider teams, accounts for 22% of our sample, while 12% are drawn from the financial services sector, which is also well-known for introducing ambitious new computer systems against tight deadlines. In addition, IT (6%), telecoms (6%) and legal firms (6%) are represented, along with transport (6%) and distribution & logistics (4%).