



Project Management: The State of the Industry

THE BIGGEST PROJECT MANAGEMENT PROBLEMS facing organizations today are inconsistent approaches to managing projects (in 24% of organizations), difficulties in allocating resources (20%), and too many projects/not the right projects (17%). Very low on the list of problems is the issue of projects always late and over budget (7%). Not only was this issue not one of the biggest problems, it was seldom a problem at all (only 16%). These conclusions are among the results of a survey of 74 project management practitioners by the Center for Business Practices, the research arm of the consulting and training organization, PM Solutions.

The CBP surveyed subscribers of *Projects@Work* magazine to better understand a variety of project management issues in today's rapidly changing business environment. The *Project Management: The State of the Industry* survey asked organizations questions about projects, project offices project managers, project management improvement initiatives, project portfolio management, the value of project management, project management software, and project management consulting and outsourcing.

Some of the more interesting results include:

- Most projects are less than a year duration (73%)
- Project offices have been implemented in 45% of organizations
- Companies who implemented project management improvement initiatives spent an average \$745,000 per year on them
- Project portfolio management is important to most companies, but it's of little or no importance to a significant number (23%)
- Over 95% of organizations use Microsoft Project
- More than half of the organizations responding use consultants for project management and 39% outsource project management functions or are considering it.

Project Management: The State of the Industry is the first survey to provide benchmark data on a wide variety of project management issues. The findings are helpful in gauging what aspects of project management matter most to companies and where the industry, in general, is headed.

The survey sample was segmented according to company size, including small businesses with annual revenue under \$50 million, midsize organizations with revenue between \$50 million and \$1 billion, and large companies with annual revenue of \$1 billion or more.

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Observations and conclusions drawn from the study include the following:

On Projects

Companies are implementing a variety of project types. In terms of complexity (increasing scope control, planning, subcontracting, documentation, bureaucracy), 15% of the projects are simple, 33% are moderate, 36% are complex, and 16% are highly complex. 45% rely on established technology, 31% mostly established technology, 16% advanced technology, and 8% highly advanced technology. The projects are of varying durations, but most are less than a year: less than 3 months (24%), 3-6 months (24%), 6-12 months (25%), 12-18 months (14%), and greater than 18 months (14%). The size of the projects (in terms of dollars) is evenly spread: less than \$20,000 (20%), \$20,000-\$100,000 (21%), \$100,000-\$250,000 (19%), \$250,000-\$1 million (19%), greater than \$1 million (21%).

In analyzing the effect of size of organization on the projects they implement, the average number of projects is what you'd expect, with larger companies working on more projects. Size of company also correlates to the average duration of projects—smaller companies have more projects of shorter duration. Project size also correlates to size of company, where larger companies work on larger projects. There's not much difference in the complexity of projects in different size organizations, with one notable exception—large companies are far more likely to have highly complex projects. There's only a slight relationship in the technology required and the size organizations—larger organizations require slightly more advanced technology.

On Project Offices and Project Managers

There are project offices in 45% of the companies that responded. Each of these companies had an average of 3.6 project control offices, 2.5 business unit project offices, and 1.0 strategic project office. The average number of people who worked in each project office type was 8.4 people in the project control offices, 9.1 people in the business unit project offices, and 6.1 people in the strategic project offices. More than 80% of the companies responding had fewer than 25 project managers in their organizations (an more than half had fewer than 10). About 16% of the project managers in the organizations had their PMPs.

There is a strong relationship between the number of project managers and size of organization. But, surprisingly, only a small relationship between the number of project managers who have their PMP and the size of organization. There is no relationship whatsoever between the size of an organization and whether or not it has a project office, except that small organizations were only half as likely to have a project office as large organizations. Medium-size companies have considerably larger staffs in their business unit and enterprise project offices than small and large companies.



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On Project Management Improvement Initiatives

More companies implemented project management software than any other initiative (78%), with implementing a project management methodology (69%) and training staff in project management tools and techniques (69%) a close second. Companies implementing project management improvement initiatives spent an average \$745,000 a year on them, with the most spent on implementing project offices (\$193,000). These initiatives were generally approved by a C-level executive (47%) or a VP/Director-level Business Management (28%).

Medium and large companies were far more likely to implement a project office than small companies. Large companies were more likely to implement portfolio management processes and integrate project management into their company processes than small and medium companies. In general, the larger the company, the lower management level needed to approve project management improvement initiatives.

On Project Portfolio Management

Project portfolio management is important to most companies, but it's of little or no importance to a significant number (23%). Also organizations rate their portfolio management maturity higher than expected (45% at level 3 or above on a scale of 1-5). As expected, the largest percentage of companies use financial methods for analyzing their project portfolios (70%), but a large number (48%) use strategic planning methods like bubble diagrams, decision trees, and Balanced Scorecard, and a large number (46%) use comparative methods (ranking, pair-wise comparisons, Analytical Hierarchy Process).

The importance of portfolio management varies by size of organization, but not linearly. Small organizations rate the importance of portfolio management at 3.4 (on a scale of 1-5); medium organizations rate it 3.1 and large organizations rate it 3.7. The portfolio management maturity of organizations, in general, is proportional to the size of the organization (smaller organizations less mature) with one notable exception—the number of organizations at the highest level of maturity are much more likely to be small organizations. Size of organization has little relationship to the portfolio management methods used. In general, the larger the company, the lower management level responsible for project portfolio management.

On the Value of Project Management

The biggest problems facing organizations were inconsistent approaches to managing projects (24%), difficulties in allocating resources (20%), and too many projects/not the right projects (17%). Very low on the list was projects always late and over budget (7%). Not only was schedule/budget not one of the biggest problems, it was seldom a problem at all (only 16%).

Medium-sized organizations are far less likely to measure the value of project management to their organizations. The biggest problems, by far, facing large and small companies are inconsistent approaches to



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project management, allocating resources, and working on too many/not the right projects. The biggest problems for medium sized companies were the same, but followed very closely by limited visibility into project activities and project manager competency.

On Project Management Software

Over 95% of the respondents use Microsoft Project—incredible market share. The next most used tools for managing projects were Primavera (13% and included all their products) and Microsoft Excel (13%). No other tools were used by more than 6% of the respondents.

On Consulting and Outsourcing

Over half of the responding companies use consultants for project management, primarily for managing projects (66%) and augmented staffing (61%). 39% of the companies currently outsource project management functions or are considering it.

Medium-sized companies were more likely to hire consultants for project management but less likely to outsource project management, although the differences were not great.

Respondent Profile

Most of the responses came from project/program managers (46.5%) followed by project/program office managers (14.1%). The size of their company and their industry was similar to other studies we've done, with all size organizations represented and Professional, Scientific, & Technical Services most represented (20.0%), followed by Finance & Insurance (18.6%), Information (14.3%), and Manufacturing (11.4%). More than 34% of the companies had annual sales over \$1 billion, and 40% had annual sales less than \$50 million.



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