

Project Portfolio Management Maturity



A BENCHMARK OF
CURRENT BEST PRACTICES

Executive Summary

ORGANIZATIONS ARE AT the bottom rungs of the project portfolio management maturity ladder, and they have particularly immature portfolio performance management processes. These conclusions are among the results of a survey of 54 senior-level project portfolio management practitioners by the Center for Business Practices.

The CBP surveyed senior practitioners with knowledge of their organizations' project portfolio management practices and their organizations' business results. Over 90% of organizations are at Level 1 or 2 in project portfolio management maturity, and none are at Level 4 or 5. The survey used PM Solutions' Project Portfolio Management Maturity Model in the assessment. The model describes how organizations mature as they improve their project management processes. As such, it is a useful framework for organizations wishing to improve their project portfolio management processes.

Observations and conclusions drawn from the study include the following: The greatest benefits of project portfolio management are that organizations better align their projects to business strategy (rating 3.9 on a scale of 1-5) and that they now work on the right projects (rating 3.5). The more mature the organization, the more benefits the organization realized due to their project portfolio management practices. In particular, the rating of benefits improved in moving in maturity from Level 1 to Level 2 to Level 3 as follows:

	Level 1	Level 2	Level 3
• Allocating resources optimally:	2.7	3.1	3.6
• Killing poor projects:	2.8	2.9	3.5
• Spending in the right areas:	3.1	3.5	3.8
• Working on the right projects:	3.4	3.5	3.6
• Eliminating project redundancies:	3.1	3.2	3.4
• Increased cost savings:	3.3	3.4	3.6
• Better aligning projects to strategy:	3.7	4.1	4.2
• Increased profits:	3.2	3.4	3.8
• Managing gaps in portfolio:	2.8	3.4	3.6

Survey results document the maturity level of organizations in six components of project portfolio management: portfolio governance, project opportunity assessment, project prioritization and selection, portfolio communications management, portfolio performance management, and portfolio resource management. The results present a baseline of project portfolio maturity in organizations. The report documents project portfolio management maturity in a way that organizations can use to perform a self-assessment and compare their maturity to the baseline survey.

Observations

Organizations, on the whole, are on or near the bottom of the maturity ladder. Over 90% of organizations are at Level 1 or 2 in project portfolio management maturity, and none are at Level 4 or 5.

This is understandable given that project portfolio management is new to most organizations. More than 70% of organizations have had project portfolio management processes in place less than two years.

Portfolio performance management and portfolio resource management are the components that are, on average, at the lowest levels of maturity (1.9 on average) followed by portfolio governance (2.0).

Project opportunity assessment and project prioritization and selection are the components that are, on average, at the highest levels of maturity (2.3 on average) followed by portfolio information management (2.2).

The greatest benefits of project portfolio management are that organizations better align their projects to business strategy (rating 3.9 on a scale of 1-5) and that they now work on the right projects (rating 3.5). PPM practices, however, currently fall short in helping organizations kill poor projects (rating 2.8) and allocate resources optimally (rating 2.9).

Another way of looking at the benefits of project portfolio management: below is a list of the biggest benefits of PPM, based on the percentage of respondents reporting that they either agree or strongly agree to the following statements:

- | | |
|--|-------|
| • Our projects are better aligned to business strategy | 70.4% |
| • We work on the right projects | 57.4% |
| • We are spending in the right areas | 46.3% |
| • PPM has led to increased cost savings | 42.6% |

Most organizations have developed their project portfolio management process in-house (87.0%). And only 13.2% of organizations have implemented a project portfolio management software tool. These facts also underscore the low level of maturity in these organizations.

Project portfolio management is an enterprise-wide activity in most organizations. 44.4% practice PPM at both the business unit and enterprise levels and 20.4% practice PPM at the enterprise level only.

About a third of the organizations practice other types of portfolio management in addition to PPM, including practice product portfolio management (35.8%), asset portfolio management (24.5%), and application portfolio management (30.2%). The integration of project portfolio management with these other types of portfolios is also critical to the overall maturity of organizations in managing their business.

And although PPM maturity is relatively low, PPM is an important practice in most organizations. Only 9.3% rated it as of little importance (and none rated it unimportant).

Comparisons Based on Level of PPM Maturity

The more mature the organization, the more benefits the organization realized due to their project portfolio management practices. In particular, the rating of benefits improved in moving in maturity from Level 1 to Level 2 to Level 3 as follows (on a scale of 1-5):

	Level 1	Level 2	Level 3
• Allocating resources optimally:	2.7	3.1	3.6
• Killing poor projects:	2.8	2.9	3.5
• Spending in the right areas:	3.1	3.5	3.8
• Working on the right projects:	3.4	3.5	3.6
• Eliminating project redundancies:	3.1	3.2	3.4
• Increased cost savings:	3.3	3.4	3.6
• Better aligning projects to strategy:	3.7	4.1	4.2
• Increased profits:	3.2	3.4	3.8
• Managing gaps in portfolio:	2.8	3.4	3.6

The more mature the organization, the more likely it was involved in other types of portfolio management, including product, asset and application portfolio management. 80.0% of Level 3 organizations were involved in other types of portfolios compared to 70.6% of Level 2 organizations and 54.8% of Level 1 organizations.

Comparisons Based on Size of Organization

Large organizations (>\$1billion in sales) have been practicing project portfolio management longer than small (<\$100million in sales) and medium-sized (\$100million-\$1billion in sales) organizations. 50% of large organizations have been practicing PPM more than 2 years, compared to 14.2% of medium-sized organizations and 21.1% of small organizations.

The larger the organization, the more likely it was involved in other types of portfolio management, including product, asset and application portfolio management. 75% of large organizations were involved in other types of portfolios compared to 57.1% of medium-sized organizations and 52.6% of small organizations.

Medium-sized organizations were far more likely to have implemented a project portfolio management software tool than small or large organizations. 28.6% of medium-sized organizations have implemented PPM software compared to 5.3% of small organizations and 10.0% of large organizations.

There was no correlation between size of organization and level of PPM maturity or benefits realized by practicing project portfolio management.

Respondent Profile

Most of the responses came from project/program office managers (27.8%) followed by project/program managers (24.1%) and directors of project/program management (16.7%). The size of their company and their industry was similar to other studies we've done, with all size organizations represented and Manufacturing (20.4%), Professional, Scientific, & Technical Services (18.5%), and Finance & Insurance (13.0%) companies most represented. 37.7% of the companies had annual sales greater than \$1 billion, and 35.8% had annual sales less than \$100 million.

Note:

The Center for Business Practices is now PM Solutions Research