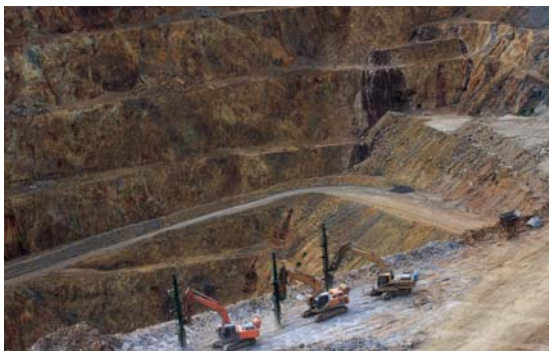


Closing the gap

The link between project management excellence and long-term success

A report from the Economist Intelligence Unit
Sponsored by Oracle





Closing the gap

The link between project management excellence
and long-term success

Preface

Closing the gap: The link between project management excellence and long-term success is an Economist Intelligence Unit briefing paper, sponsored by Oracle. The Economist Intelligence Unit conducted the survey and analysis, and wrote the report. The findings and views expressed in the report do not necessarily reflect the views of the sponsor.

The report was based on a survey of 213 senior executives and project managers worldwide and in-depth interviews with nine executives and project management experts in the fields of industrial manufacturing; architecture, engineering and construction; aerospace and defence; mining and metals; pulp and paper; and utilities, oil and gas. The author was Sarah Fister Gale and the editor was Katherine Dorr Abreu. Mike Kenny was responsible for the design. The Economist Intelligence Unit would like to thank all those who contributed their time and insight to this project.

October 2009



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Executive summary

Delivering projects on time and on budget is a minimum requirement to do business for most organisations, and in many industries it is critical to long-term success. Companies that adhere to strong project management methods, including detailed evaluation of scope and budget, ongoing risk management and measurement of project results, are consistently more successful than those that do not.

Following a structured project management method enables companies to predict and mitigate risks, better manage costs and deliver quality results that satisfy clients. In the most mature project management organisations, these project goals are directly linked to strategic business objectives, giving these organisations a powerful competitive advantage.

Yet few companies consistently meet their project goals or measure project success. This inconsistency stems largely from a failure to implement and follow well-defined project management practices, despite ongoing efforts to improve processes with the goal of delivering better, faster, cheaper results.

This report explores the value that executives and project managers place on adhering to strong project management methods, how those methods are practised across the organisation, and the gaps that exist between the perceived value of project management strategies and their consistent application on the job. Key findings include:

- **Project management competencies are considered crucial to the business, yet few companies do project management well or have consistent processes in place.** An impressive 90% of respondents say project management is either critical (47%) or somewhat important (43%) to their ability to deliver successful projects and remain competitive. Yet nearly one-half (49%) only follow formal project management practices on large or complex projects and few (20%) use a standardised set of project management tools including enterprise-level systems.

Eighty percent of survey respondents believe that having project management as a core competency has helped their company to remain competitive during the current economic downturn. Yet only 27% say they do a very good job of managing projects, and only 10% rate themselves as excellent. Their self-assessment may not be excessively harsh: only 6% of respondents say their projects come in on time and on budget all of the time.



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● **Aware of their shortcomings, companies are trying to do better, but they struggle to find the best ways to address the challenge.** More than one-half of respondents (53%) say their company is continually looking to improve its project management methods, but they lack focus and consistency. Only 45% plan to improve project management practices and apply them uniformly across all projects, and 42% plan to standardise the use of project management tools to increase efficiency and collaboration.

Less than one-third (29%) plan to improve how they measure qualitative and quantitative project outcomes; 29% plan to use more robust tools; and only 26% plan to increase training and certification. These numbers indicate that managers may not be adequately adopting methodologies that can help them improve results.

● **The recession may help make project management practices more robust.** The economic crisis has led to greater scrutiny of how projects are managed, and has directly affected company perceptions of the value of project management competencies. This change in focus has, in turn, led to a more structured and consistent application of project management practices across industries over the last two years.

Compared with two years ago, respondents are investing more time in project planning and due diligence (40%); conducting more frequent project reviews to assess risks, milestones and overall value (37%); and measuring quantitative and qualitative project outcomes more frequently (38%). It remains to be seen whether this commitment will hold strong as the economy improves.

Who took the survey?

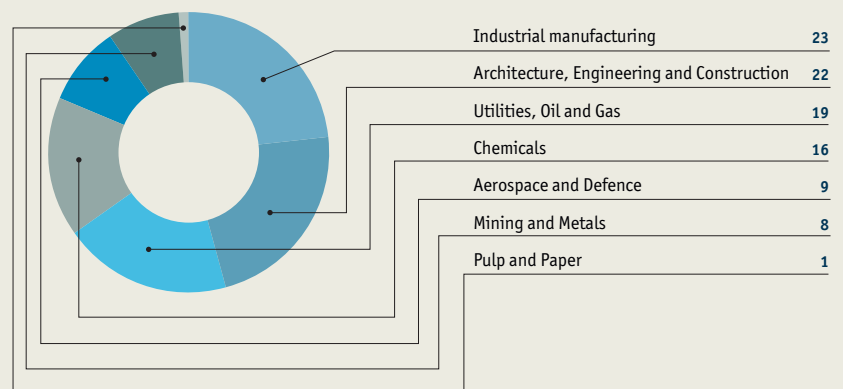
A total of 213 senior executives and project management experts from around the world took the online survey. Twenty-three percent are in industrial manufacturing; 22% in architecture, engineering and construction; 19% in utilities, oil and gas; 16% in chemicals; 9% in aerospace and defence; and 10% in mining and metals and pulp and paper. Thirty-seven percent are C-level executives, 26% are senior vice presidents, directors or business unit heads, and 37% are in other management roles.

Company size ranges from less than US\$500m in annual revenue (32% of total) to US\$100bn or more (6%). Thirteen percent have revenue of US\$500m to US\$1bn, and 49% range from US\$1bn to US\$100bn.

For further information, see the appendix at the end of this report.

Survey polled project-intensive industries

What is your industry?
(% respondents)



Source: Economist Intelligence Unit survey, September 2009



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Introduction

Without question, executives recognise the value of delivering projects on time, on budget and to the customer's expectations. A straight line can be drawn between successful project outcomes and bottom-line growth. Yet companies do not consistently deliver quality projects within the timeframe and scope allotted to them.

The economy has only made things worse. Budgets have shrunk, and project managers are under increasing pressure to cut costs and deliver projects that are of a higher quality and completed more quickly than ever before. But without the necessary structure, resources and tools, these goals are difficult to meet.

Project management practices are designed to prevent such failures. In times of economic crisis they are particularly important to give companies strategies to mitigate risk, define budgets and scope more effectively, and track a project's progress. Yet even in an economy in which any bad project can significantly hurt an organisation, there continues to be a gap between project management philosophy and execution. Although many executives and project managers say that their organisations have strong project management strategies and that using those strategies provides them with a clear and measurable competitive advantage, most admit that they do not adhere to them consistently. Until that gap is closed, project success will continue to be a daunting task.



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No nasty surprises

“There are risks associated with [project management]. It’s important to identify those risks early on and manage them through every phase of the project so there are no surprises.”

Ajay Malhan, senior vice-president of project and development services, Jones Lang LaSalle India

Risk management is at the heart of every project management methodology. Any number of risks can befall a project and drive it off course, often through no fault of the project team. From hurricanes and political unrest to supplier conflicts and labour shortages, internal and external events can have a significant impact on a project’s progress.

Only through good risk management can those risks be predicted and minimised, suggests Ajay Malhan, senior vice-president of project and development services for Jones Lang LaSalle, the global real estate services firm. Mr Malhan is based in Delhi, India. “Good project management is about managing the schedule, budget, quality and safety on a project, and there are risks associated with all of that,” he says. “It’s important to identify those risks early on and manage them through every phase of the project so there are no surprises.”

Yet risk management can also be the most elusive element of project success, particularly if project managers do not have the time or decision-making authority to perform the task well. When it comes to risk management, there is a clear gap in many organisations between what their leaders say and what they do. In our survey, 48% of respondents say that adhering to project management practices helps them better manage project risks, yet only 26% evaluate how effectively they have identified and managed risks, as part of their project review process.

“Many poor-performing companies don’t have any formal risk management process,” notes Bob Prieto, senior vice-president of Fluor Corporation, a publicly owned global engineering, procurement,

There is a gap between perceived benefits of adhering to project management practices and measurements of project success
(% respondents)



Source: Economist Intelligence Unit survey, September 2009



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CASE STUDY

Defining success: project management in space

It is hard enough to define the scope of a multibillion-dollar multi-year project. When the project being defined has never been done before, it is nearly impossible.

But it still needs to be done, says Wayne Hale. As the deputy associate administrator for strategic partnerships at NASA, the US space agency, he should know: Mr Hale has been involved with creating project plans for some of the greatest projects in history, including the Hubble Telescope and the Space Shuttle. And he readily admits that in both cases those projects came in well over budget and did not exactly meet the target goals. Still, he considers them successes.

The Hubble Telescope illustrates the challenges. After years of starts and stops, budget cuts and delays, it was finally launched into

orbit in 1990, 13 years after Congress voted to fund the project, and five years after construction was complete. Then, days after the launch, the NASA team realised there was a problem. The images came back blurry because of a flaw in the telescope's mirror—it was too flat on one edge by a few nanometres.

"There was a lot of 'dump it in the ocean' talk at that point," Mr Hale says. "But instead we decided to spend more money to fix the problem, and eventually it was a success."

Looking beyond budget and schedule to consider the potential results of the project gave the Hubble team the momentum needed to take the project to fruition. Because NASA continued to invest in the project, even though it was years late and well over budget, the US has gathered images and knowledge about space that it could not have obtained any other way.

"Do I wish we had done it cheaper and sooner? Sure," Mr Hale says. "But in the final analysis success and failure are not always so cut-and-dried."

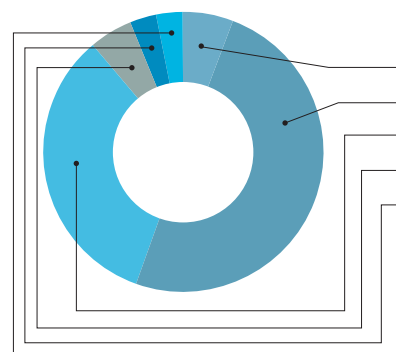
construction and maintenance services firm based in Irving, Texas. "They may discuss risk, but it's more about contingency planning," he says. The risk process often is only looked at when problems occur.

This is a mistake. If project managers are rushed through due diligence, not given the time and tools to accurately assess potential risks or the organisation does not place value on the risk management process, project managers are forced into the role of "firefighters", responding to problems as they arise rather than mitigating or avoiding them.

These "firefighters" step into a trap, says Tom Bourgeois, chief project engineer for Shell International, the multinational petroleum company headquartered in The Hague, Netherlands. They are forced to spend valuable time reacting to problems, which diminishes the focus on project deliverables,

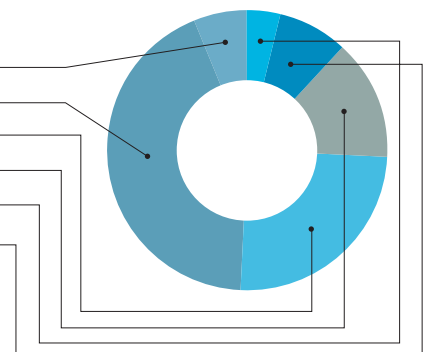
Few companies deliver all projects on time and at or under budget

(% of respondents who say their organisation delivers projects on time)



Frequency on time/at or under budget

(% of respondents who say their organisation delivers projects at or under budget)



Source: Economist Intelligence Unit survey, September 2009



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"You have to think about risk in a holistic sense. It has to be a constant process and you can't do it in isolation."

Bob Prieto, senior vice-president, Fluor Corporation

and adds costs, delays and frustration to the project, contributing to the low rates of project success that plague many industries. In our survey, only 6% of companies say their projects come in on time and on budget all of the time.

Organisations that implement a culture of project management that values risk assessment, meanwhile, are better equipped to manage risks and minimise their impact. "An effective risk management programme has to be an ongoing part of the project," confirms Mr Prieto. At Fluor, every project includes a formal risk assessment tool. At each stage, project leaders are required to assess and reassess risks, and to decide whether to alter the project as a result. The process can take days or weeks depending on the size, scope and complexity of the initiative. "You have to think about risk in a holistic sense," says Mr Prieto. "It has to be a constant process and you can't do it in isolation."

Organisations also need to reward the right behaviour, adds Robert Majure, senior programme manager of the aerospace core programme of Honeywell Aerospace in Phoenix, Arizona. "Some organisations reward firefighters because they do a great job saving a programme. At Honeywell, we try to shift reward to people who stay out of trouble."

Honeywell's efforts to promote this behaviour include its annual Top Gun programme management excellence award, which is given to the best project team each year based on value creation, organisational process and risk avoidance. The company also bases promotions, talent reviews and other incentive programmes on these metrics. "It's a work in progress, but it is changing behaviour," says Mr Majure.

CASE STUDY

CH2M Hill: Project leadership is a top priority

CH2M Hill has succeeded in making the connection between consistent project management practices and bottom-line results. The global provider of engineering, construction and operations services based in Englewood, Colorado considers itself a "company of projects" and project management decision-making is conducted at the highest level of the company.

"The interchangeable link between executives and project managers is one thing that makes CH2M Hill unique," notes Jacqueline Rast, president of the CH2M Hill Major Programs group. That connection is critical in a company that regularly manages high-profile multibillion-dollar mega projects because it ensures that the most skilled and experienced people in the organisation are making critical project decisions, increasing the commitment to its success.

Ms Rast's group leads the organisation's major programmes, including management of the design and construction of the London 2012 Olympics venues and infrastructure, and the Panama Canal expansion. Both are slated to come in on budget, and several elements of the London Olympics project will be delivered early.

"In our industry, everything we do is about projects. We are only in business to deliver projects, and project manager is a critical position at CH2M Hill," she says.

As a result, project managers are a part of strategic decision-making regarding projects before they are even bid, and executives from the board of directors and C-level regularly take on senior management positions on high-profile projects. In a recent notable example, Bob Card, president of the firm's facilities and infrastructure division, took a break from running the largest division in the company to pursue the London Olympics project, then moved his family to the UK to oversee the multi-year project once it began.

CH2M Hill attributes much of its success in winning and managing such mega projects to the authority and experience of its project leaders. They have the experience and the decision-making power required to drive these projects towards successful outcomes, and the technical and political prowess necessary to mitigate problems that would derail a less practiced project manager.

"These mega projects have significant risks that need to be addressed," says Ms Rast. "It's not just the technical aspects of the construction. There are multiple stakeholders, clients, politics and budget issues to deal with. Such important projects need executives to run them—and our executives love to do it."



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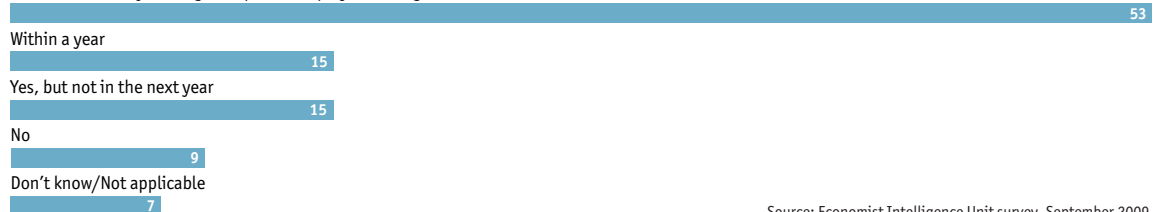
Ongoing focus on improvement

Promoting good project management skills and behaviour through incentives, as well as through training and other initiatives, is an ongoing process for many project-focused companies. More than one-half (53%) of survey respondents say they are continually working to improve their project management methods. An additional 15% plan to make improvements within the year.

Most companies plan to improve project management capabilities

Does your organisation have plans to improve its project management capabilities?
(% respondents)

We are continually looking to improve our project management



Source: Economist Intelligence Unit survey, September 2009

Training and recruiting are the top ways companies invest in improving their project management programmes. Eighty-two percent offer some level of project management training. Seventy-seven percent of companies recruit project management professionals often (23%) or occasionally (54%).

“From a quality standpoint you have to continuously improve, but we like to improve incrementally and purposefully,” says Jacqueline Rast, president of the programmes group for CH2M Hill, a provider of engineering, construction and operations services based in Englewood, Colorado. Her company offers training on key project management topics, such as negotiation, communication and leadership, as well as more technical courses as specific needs arise.

Taking that as-needed approach is common among mature project management organisations. It is more effective than offering monthly courses on topics that may not be relevant to the projects under way, because it ties training to specific skills gaps identified in the organisation, suggests Dan Enright, executive vice-president of global operations at Global Crossing, a global IP and Ethernet solutions provider, headquartered in Hamilton, Bermuda. “If a lack of skill is identified, training is delivered,” he says. “If we lack the expertise in-house, we recruit or we develop opportunities for career development.”

There must also be reinforcement of those skills on the job, adds Mr Bourgeois. At Shell International,

“Project managers learn faster from each other, and you need to make sure young project leaders have the right experiences.”

Tom Bourgeois, chief project engineer, Shell International



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Companies train and recruit project management professionals to increase the organisation's skills and experience

Rate your organisation on the following activities on a scale of 1 to 3

(% respondents)



Source: Economist Intelligence Unit survey, September 2009

all new project managers are assigned senior-level mentors who act as resources on projects and in career planning. Supervisors and more senior project managers reinforce training by providing on-the-job coaching in project management strategies.

"Project managers learn faster from each other, and you need to make sure young project leaders have the right experiences," he advises. "That's why we set up all of our project managers with mentors."

CASE STUDY

Shell's Project Academy: a focus on training

The oil and gas industry is no stranger to economic crises. Price fluctuations, political unrest and shrinking supplies have all led to upheavals in the industry. But at Shell International, the multi-national petroleum company based in The Hague, Netherlands, it has also led to the recognition that project management competencies are a critical component of the company's long-term global business strategy.

"The company's reputation partly relies on executing projects in a competitive manner," says Hans Wierda, head of Shell's Project Academy, an organisation within Shell dedicated to improving the competency of the company's pool of 2,200 project managers. "If we can't execute projects in a controlled manner, we waste money and we can't be competitive."

Until ten years ago, he says, project management skills were largely neglected in the industry. But as "easy oil" reserves were tapped, and projects were launched in more complex environments, project management competencies became a top priority. As a result, Shell launched the Project Academy, during the oil reserve crisis of 2004. "At the time we felt we were not as successful

delivering projects as we used to be, and we needed to improve our competencies in this area," says Mr Wierda.

The Academy now offers a five-tiered approach to project management development. It includes career planning; communication and culture building in the project management community; coaching and mentoring; skills assessment; and formal training for all project managers. In addition, although the Academy is not measuring the return on investment in terms of net present value of projects, early benchmarks conducted by third-party associations show that Shell scores well against other project management training programmes across the industry, indicating that the Academy offers a thorough, comprehensive and competitive level of training and development for project managers than its peers.

The Academy stands out in other ways as well. In many companies, the financial crisis has led to cutbacks in training programmes as part of cost-cutting measures. At Shell, however, demand is increasing. "People have more time to focus on competency development right now," says Mr Wierda.

But he also sees it as a reflection of the leadership's recognition that project management competencies are a fundamental part of maintaining a competitive advantage in the future. "The company recognises that executing projects well is the lifeblood of our business."



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Building a project management framework

Making sure project managers have the skills and experiences to succeed is one part of the solution. Companies must also ensure that they have the right practices and tools to do their jobs effectively.

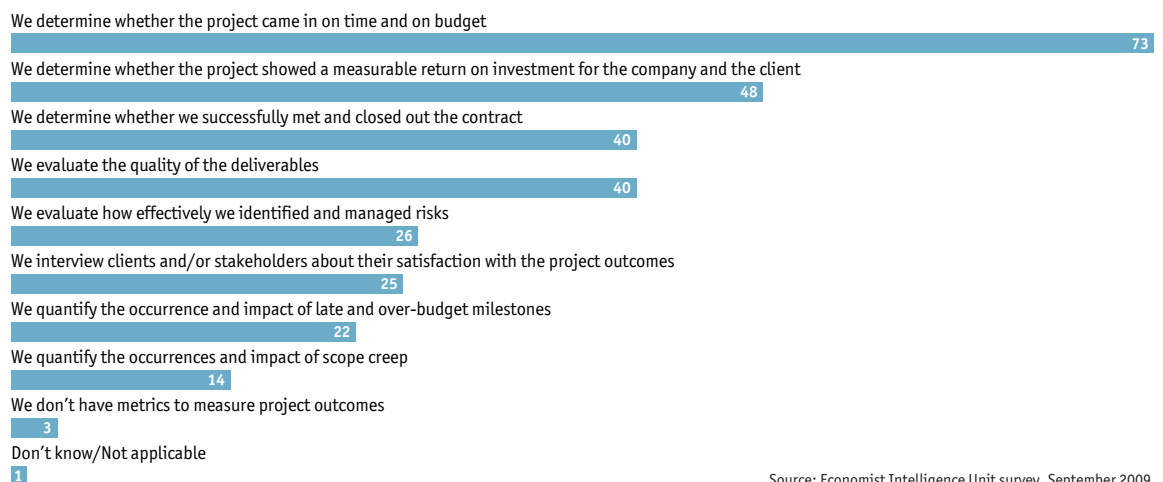
Here too there is a gap. A full 90% of survey respondents believe that project management is critical (47%) or somewhat important (43%) to their ability to remain successful, and a resounding 80% believe that having project management as a core competency has helped their organisations to remain competitive during the recession. But these same companies continue to apply project management practices in a haphazard and inconsistent way.

Nearly one-half (49%) of respondents say their company only follows formal project management practices on large or complex projects. Even among the 63% of companies with formal project management offices (PMOs), almost one-half (49%) admit that they may only apply project management strategies on the big and more complex projects, despite the fact that most of them recognise that value is derived from following such practices in every case.

Among the project management methods that are most inconsistently implemented are tangible measures of project success beyond determining whether they came in on time and on budget. Less than

On time and on budget: the measure of success

How does your organisation measure project success?
(% respondents)



Source: Economist Intelligence Unit survey, September 2009



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“Whether it’s a US\$50,000 study or a US\$30 billion “giga” project, the basic tenets of project management should not change.”

Bob Prieto, senior vice-president, Fluor Corporation

one-half of respondents (48%) measure whether the project had a quantifiable return on investment, 40% evaluate the quality of deliverables, and a mere 25% ask clients whether they are satisfied with the project outcomes.

Those companies that decline to conduct more robust measures of project outcomes, and to share that information with clients, are forgoing a valuable piece of the project management process. At Jones Lang LaSalle, for example, every project ends with a project review in which the project team sits with clients, stakeholders and contractors to assess whether the project met its schedule, budget, quality and safety goals, and to evaluate problems that arose and discuss whether they could have been better handled. Clients also complete satisfaction surveys based on project outcomes.

“This process is considered a huge value-add by our clients, and it wins us a lot of repeat business,” Mr Malhan says. “The transparency and tangible evaluations give clients confidence that we are delivering what we promised.”

Applying consistent project management processes also adds uniformity to the business model, which helps to develop the skills of the project management team, adds Mr Bourgeois of Shell International. “You have to apply the tools and methods to all projects, if for no other reason than to give project managers a chance to learn how to do good work on easier projects, so that when things get complex they have already established good habits.”

Mr Prieto of Fluor Corporation agrees. “Whether it’s a US\$50,000 study or a US\$30 billion “giga” project, the basic tenets of project management should not change.”

How project management methods are applied, however, should depend on the company, the client and the needs of the project, suggests Mr Enright. “Having a project management methodology is very beneficial to running a successful project. However, the methodology should not hinder progress,” he says. At Global Crossing, project managers have a high-level project management structure to follow, but can adjust the structure to meet their needs. “Our project managers have the flexibility to manage their projects and to choose the tools that best fit the project’s objectives.”

Choosing the right combination of tools, from simple documents and spreadsheets to complex project-management tracking software, is critical, notes Mr Majure. “Having good tools is an entry-level requirement for project management, and bad tools can derail a project.”

Tools also help to create a culture of project management that can be extended across a global organisation, adds Mr Malhan of Jones Lang LaSalle. “Our project management tools form the basis of our turnkey reporting process, and they give us a consistent way of delivering projects across India and the globe.”

To create this kind of culture, project leaders must be able to match the tools’ complexity, integration capability and ease of use with the size and scope of the project, and not be forced to rely on too much or too little to get the job done. Nevertheless, the use of integrated complex project management tools varies across industries, and even the most complex multibillion businesses can rely on simple tools to get the job done. According to the survey, only 20% of companies use a standardised set of project management solutions including enterprise-level systems to manage projects at an executive level, while 49% rely on an assortment of tools more focused on day-to-day project management tasks. The remaining 24% rely on simple tools, such as spreadsheets and Word documents, and 4% have no tools, relying

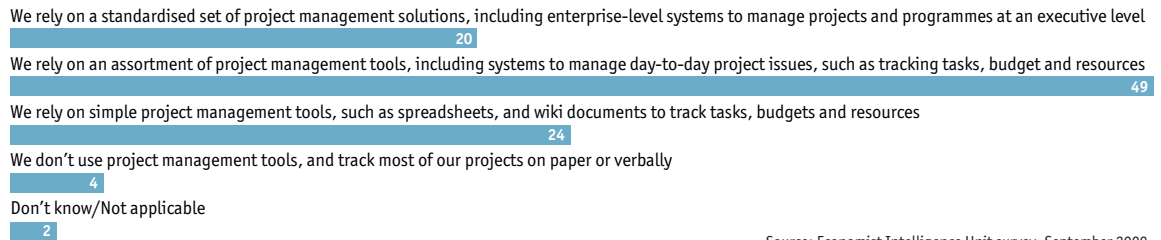


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Companies tend to use an assortment of project management tools

Which statement best describes the level of project management tools used in your organisation?
(% respondents)



Source: Economist Intelligence Unit survey, September 2009

For good project management, “you ... need personality, power and persona. It takes a lot of leadership skills to drive a complex project through a complex organisation. Tools alone can’t make that happen.”

Robert Majure, senior programme manager of the aerospace core programme, Honeywell Aerospace

largely on written or verbal communication communication to track project progress.

This can lead to trouble, particularly on complex projects that can become overwhelming, warns Mr Bourgeois of Shell International. He has seen project managers working on multi-million projects use multiple tools that do not integrate with one another, or attempt to create nested critical path documents using spreadsheets. These documents, which map out the sequence of activities that must be carried out in order for the project to be completed on schedule, can quickly become too complex for spreadsheets. “You are just begging for errors that way,” he says. “And the bigger the project, the harder it becomes to find the mistakes.”

On the other hand, trying to use complex project management systems to manage simple projects can be overkill, suggests Wayne Hale, deputy associate administrator for strategic partnerships at NASA, the US space agency. “Like any tool, you’ve got to use them properly or they bog down the project,” he says. Training is important to ensure that the chosen tools are effectively used. Still, “we are enamoured with computer toys and we can spend a lot of time fiddling around and get no more value than you would with a pad and pencil,” says Mr Hale.

Similarly, focusing too much on practices and tools can distract from the larger goals and needs of the project. “Some organisations look upon project management as a series of mechanised tasks, schedules and budgets,” says Mr Majure of Honeywell Aerospace. “But you also need personality, power and persona. It takes a lot of leadership skills to drive a complex project through a complex organisation. Tools alone can’t make that happen.”



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Lessons learned in a recession

“The recession resulted in a huge amount of scrutiny over projects. We are constantly re-evaluating our resource load and looking for ways to do projects that won’t hurt our cash position. To do that we have to invest time in precision project planning and tie every decision to our business requirements.”

Jeff Dutton, president and COO, Fraser Papers

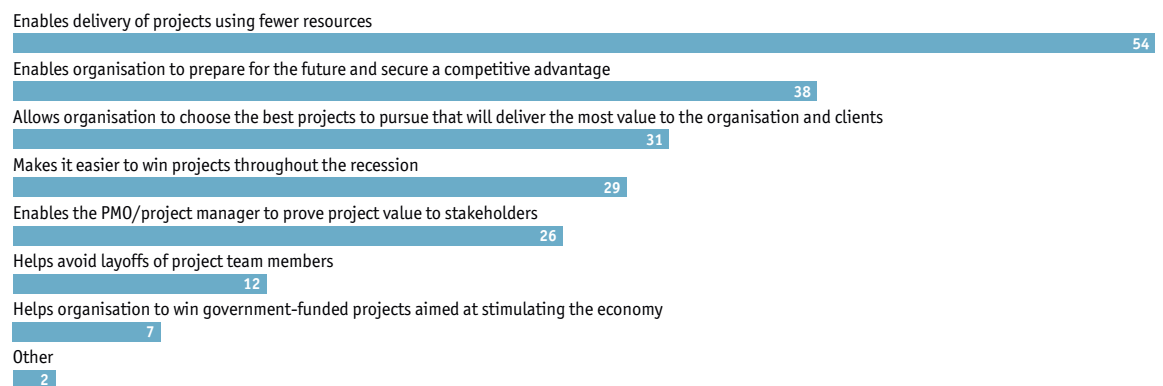
The recession put a dark cloud over the global economy. From a project management perspective, however, there is a silver lining. The economic crisis, and the consequences it had on project budgets, cash flow and resources, caused companies to take a long hard look at the way they select and manage projects—and in many cases it has spurred change. From choosing projects to securing budgets to defining project success, companies have had to hone their project management skills, particularly with respect to defining scope and managing risk. In many cases, the crisis caused them to reaffirm their commitment to following project management practices.

“The recession resulted in a huge amount of scrutiny over projects,” says Jeff Dutton, president and COO of Fraser Papers, an integrated paper manufacturer based in Toronto, Canada. One of the most unexpected aspects of the recession, he adds, was the impact on cash flow as the short-term funding that many project-focused companies use to fund project costs dried up. “Two years ago we never managed liquidity; now it’s where I put much of my focus.”

From choosing which projects to pursue to setting project goals and deadlines, Mr Dutton now considers cash-flow management a fundamental aspect of project decision-making. “We are constantly re-evaluating our resource load and looking for ways to do projects that won’t hurt our cash position,” he says. “To do that we have to invest time in precision project planning and tie every decision to our

Competency in project management helps maintain competitiveness during a recession

In your opinion, how does competency in project management help your organisation remain competitive during a recession? (% respondents)



Source: Economist Intelligence Unit survey, September 2009



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CASE STUDY

Cash is king at Fraser Papers

Everyone strives for “on time” and “on budget”, but at what cost? Jeff Dutton, president and CEO of Fraser Papers, an integrated paper manufacturer based in Toronto, Canada, believes that if a project team’s only mission is to meet those two goals and they always do it well, then the budget could be too high. “You should come in on time and on budget consistently, but you also have to be willing to take some calculated risks,” he says.

Mr Dutton points to a new specialty paper product that Fraser launched during the recession in response to an opportunity his team identified in the market. Despite tight budgets, an uncertain economy and a corporate restructuring, Mr Dutton’s team believed it would be able to bring into the market a competitively priced, high-quality

product. In the middle of the project, Mr Dutton faced a potentially risky decision: invest as planned in new equipment to get the product to market in the targeted time, or pursue a longer, more labour-intensive development process that would cost less but would cause the project to launch several months later.

With budgets tight, he chose the longer, less costly route, tying project decision-making to the strategic needs and goals of the business. “If we measured this project by timeline alone we’d be beating ourselves up, but in the end we generated a higher cash flow during that period because our capital spend was lower,” he says. “As the economy changed we took a market risk to preserve cash flow and it was the right thing to do.”

In an economy where cash flow determines solvency, he believes that such decisions must be weighed against the risk. “In a mature industry, cash flow has to be a factor in every project decision you make. It’s the cost of continuing to do business.”

business requirements.”

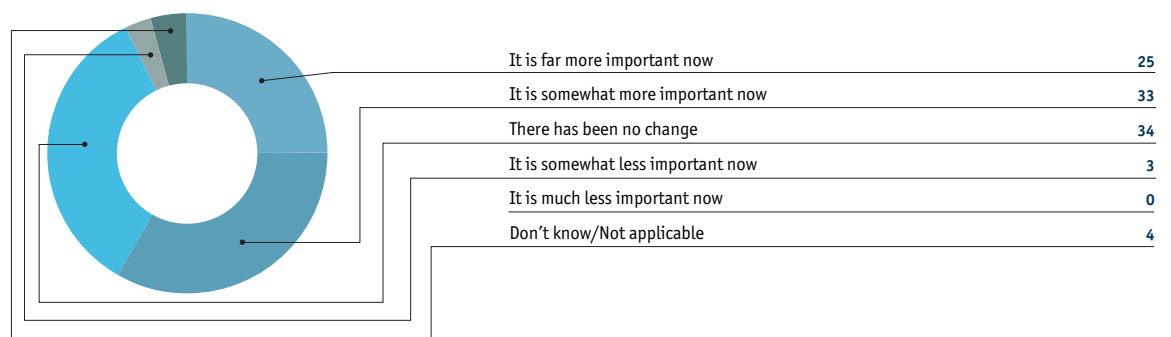
According to the survey, having project management skills as a core competency has helped companies to remain competitive during the crisis. In addition, respondents link project management competencies to their ability to deliver projects using fewer resources, win bids and add value for stakeholders.

“In a way, the recession has been a good thing, because it’s given us an impetus to think smarter about how we structure teams and manage projects,” says Mr Malhan. For example, in 2009, Jones Lang LaSalle’s executive team began evaluating how to achieve greater efficiencies by building tighter teams and more closely tracking the schedule of deliverables against the deployment of resources. “We are making sure our schedules and goals are aligned, and that’s making our projects more profitable,” he says.

Many companies admit that the economic crisis underscored their project management shortcomings

The recession has made project management practices more important

How has the importance of your firm’s project management practices changed as a result of the current economic downturn?
(% respondents)



Source: Economist Intelligence Unit survey, September 2009

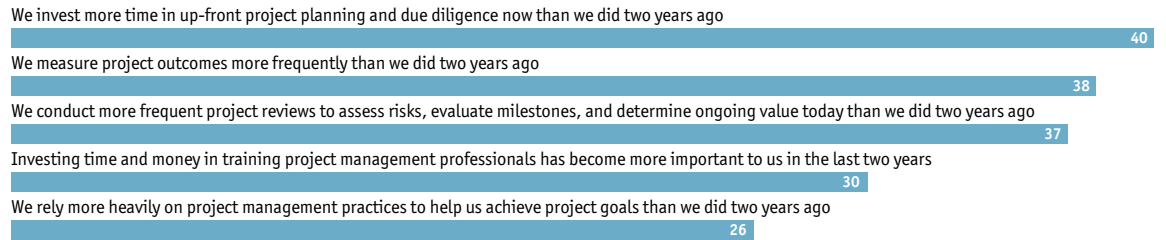


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Economic downturn has caused changes in company project management practices

How has your organisation changed its procedures with regard to project management in the last two years?
(% respondents)



Source: Economist Intelligence Unit survey, September 2009

and forced them to do better. The survey shows that 58% of respondents believe that following project management practices has become either far more important (25%) or somewhat more important (33%) since the recession began.

And many are now changing how they manage projects. The top changes include investing more time in project planning and due diligence (40%); measuring project outcomes more frequently (39%); and conducting more frequent project reviews to assess risks, milestones and overall value (37%).

“The industry is more aggressive, more competitive and hungrier than ever,” says Ms Rash of CH2M Hill. “It’s forcing everyone to make more careful decisions about projects.”



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Conclusion

“In good times and in bad, strong project management equals strong decision-making and a higher percentage of good outcomes. In our industry, if a client wants to be sure that a project will succeed, they look for strong project management capabilities.”

Jacqueline Rast, president of the programmes groups, CH2M Hill

Will these improvements remain when the good times return? Most committed project management professionals say anything else would be folly. “In good times and in bad, strong project management equals strong decision-making and a higher percentage of good outcomes,” says Ms Rast. “In our industry, if a client wants to be sure that a project will succeed, they look for strong project management capabilities.”

Despite that, it would not be surprising if the commitment to project management wanes in some companies as the economy improves, suggests Mr Bourgeois of Shell International. “In good times it’s easy to get lazy, but you can’t abort your project management system when things get better.”

He notes that although the big project management challenges and risks may change with the economy, the need to manage all projects well remains the same. “There’s always plenty of risk, whatever the situation,” he points out. “The project manager’s role is to keep his head above the grass, figure out what’s coming next, then decide if he needs to do something about it.”

“Project management is hard and organisations often struggle to get it right,” adds Mr Majure of Honeywell Aerospace. “Success means a thousand activities have to go as planned, but failure can be due to just one critical oversight.”

And while few companies have perfected their approach to managing projects, they are making progress. There is clear recognition that project management practices add value, and that the better an organisation is at doing them the more competitive it will be. The lessons learned from the economic crisis have reinforced the importance of careful project planning and management for business leaders.

“Project management gives you the structured process that’s required to deliver measurable results,” says Mr Malhan at Jones Lang LaSalle. “Whether times are good or bad, it’s about giving value to the client and creating differences between yourself and your competition.”

It is not enough for executives to talk about the importance of project management, or to support training and development initiatives for burgeoning project leaders, however. To make the most of these lessons, leaders need to invest time, money and expertise into developing their project management strategies. They need to take a hard look at the methods their organisations use to select, manage and measure project outcomes, and to align those methods with their long-term strategic objectives.

“Organisations with strong project management are more competitive all around,” confirms Ms Rast of CH2M Hill. “Recession or not, it’s what you’ve got to do to be successful.”

To be successful, companies should consider the following best practices:



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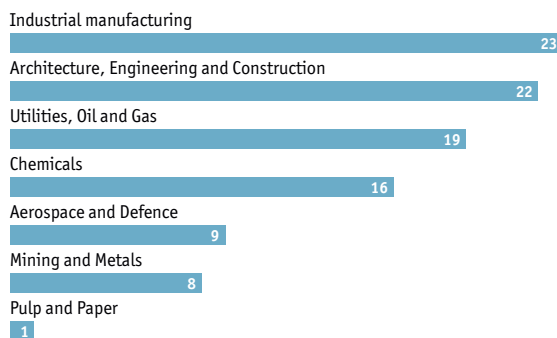
“Project management is hard and organisations often struggle to get it right. Success means a thousand activities have to go as planned, but failure can be due to just one critical oversight.”

Robert Majure, senior programme manager of the aerospace core programme, Honeywell Aerospace

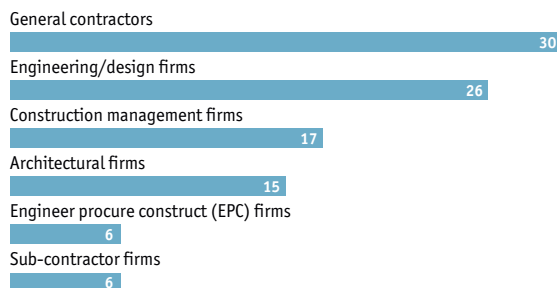
- To maintain a competitive advantage and ensure that projects generate maximum value for the company, business leaders must link every project management decision, from the choosing of projects to the way teams will measure outcomes, to the strategic goals of the organisation.
- Training, mentoring and other development activities for project management professionals should be tied to specific skills gaps and career planning.
- To prove that a project was a success, it is necessary to measure more than timeliness and adherence to budget; companies should also measure outcomes against project goals, determine whether the project delivered bottom-line results and assess the satisfaction of clients and stakeholders with the project.
- A lessons-learned database, in which project teams document project challenges and how they were handled, is a valuable tool for avoiding mistakes in the future.
- Leaders who continue to focus on improving project management strategies and methodologies as the economy rebounds will garner the greatest long-term success.

Appendix Survey results

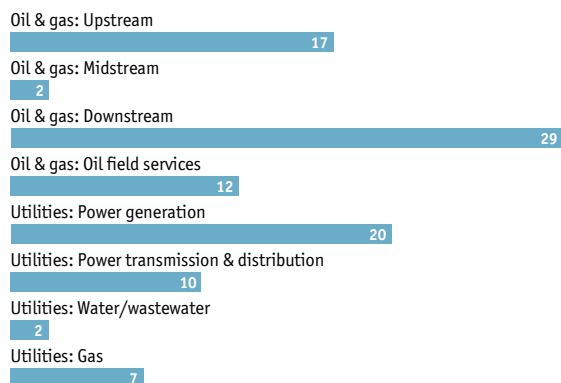
What is your industry? (% respondents)



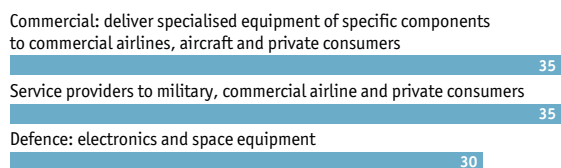
What is your sub-industry? (Architecture, Engineering and Construction) (% respondents)



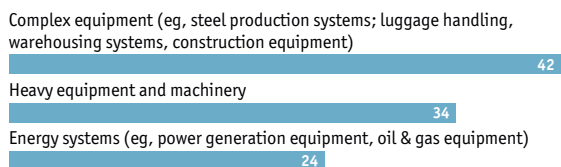
What is your sub-industry? (Utilities, Oil and Gas) (% respondents)



What is your sub-industry? (Aerospace and Defence) (% respondents)



What is your sub-industry? (Industrial manufacturing) (% respondents)

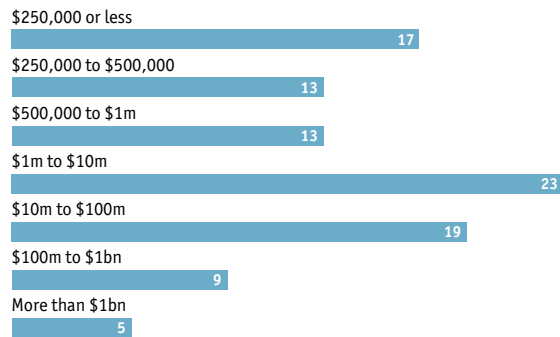


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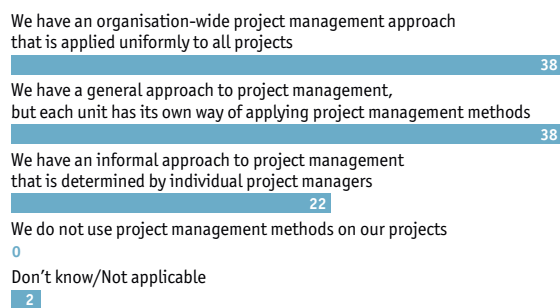
What do you estimate is the average budget (in US dollars) per contracted project in your organisation?

(% respondents)



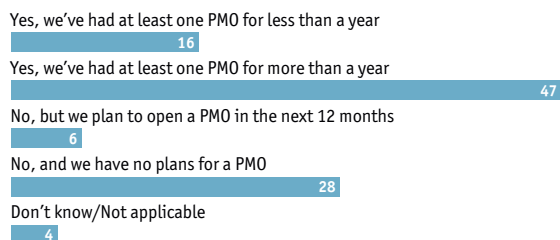
What is your organisation's approach to project management?

(% respondents)



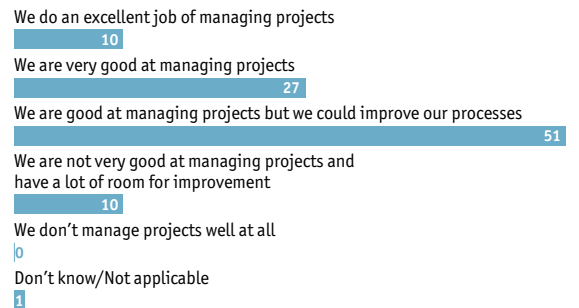
Does your organisation have at least one project/programme management office (PMO)?

(% respondents)



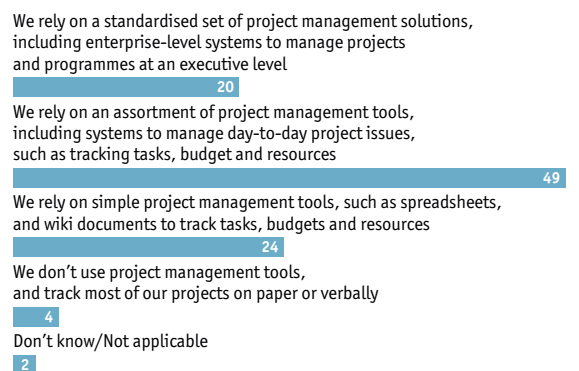
In your opinion, how well does your organisation manage projects?

(% respondents)



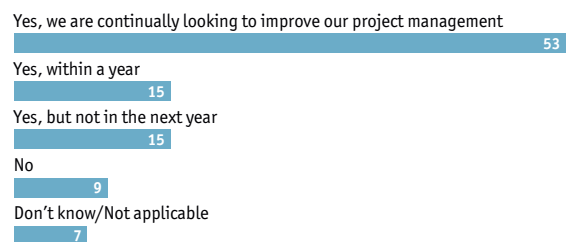
Which statement best describes the level of project management tools used in your organisation?

(% respondents)



Does your organisation have plans to improve its project management capabilities?

(% respondents)



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How does your organisation plan to improve its project management capabilities? We plan to:

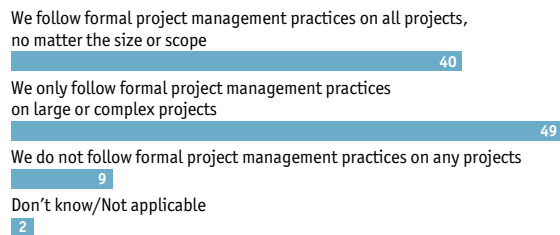
Select up to three.

(% respondents)



How often does your organisation follow formal project management practices on projects?

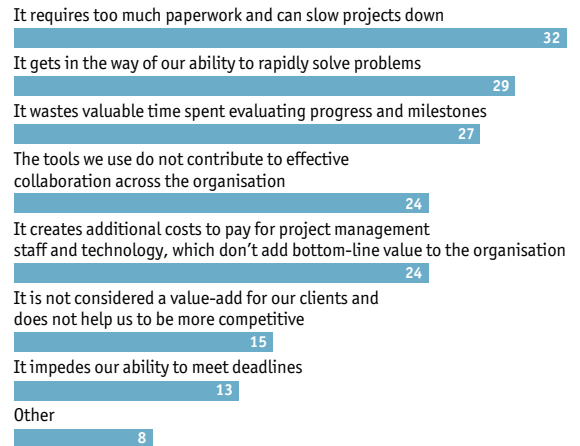
(% respondents)



In your opinion, what challenges does your organisation face as a result of following project management practices?

Select all that apply.

(% respondents)



In your opinion, how has adhering to project management practices helped your organisation? Adhering to project management practices helps us:

Select all that apply.

(% respondents)



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Rate the following statements regarding your organisation's investment in project management skills and experience.

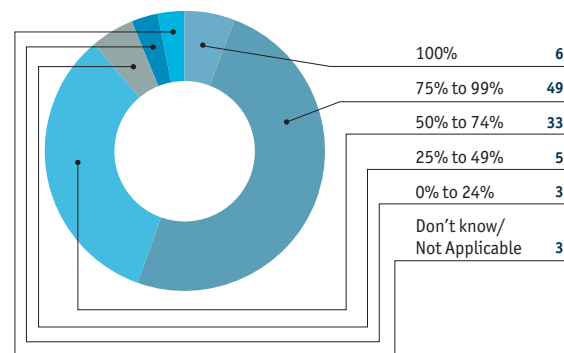
Rate on a 1 to 3 scale, where 1=Often, 2=Occasionally and 3=Never.

(% respondents)



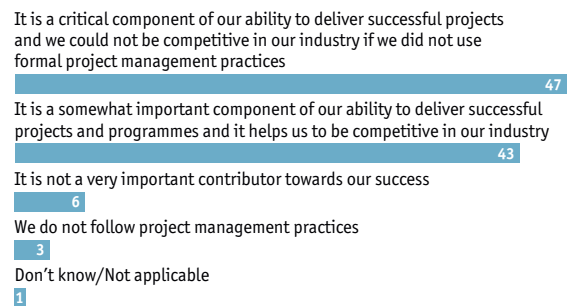
In your estimation, what percentage of projects has your organisation delivered on schedule in the last three years?

(% respondents)



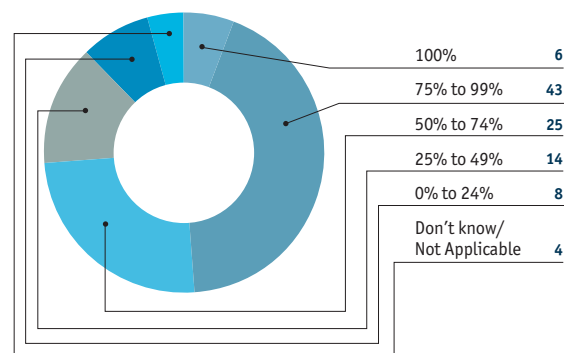
How valuable do you think project management is to your organisation's ability to deliver projects successfully?

(% respondents)



In your estimation, what percentage of projects has your organisation delivered at or below budget in the last three years?

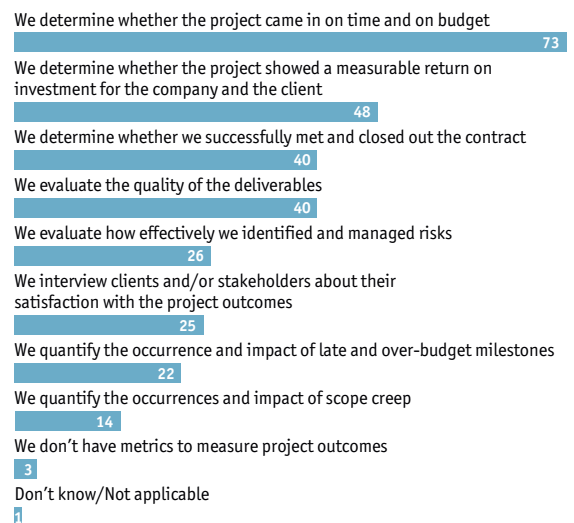
(% respondents)



How does your organisation measure project success?

Select all that apply.

(% respondents)



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At what level in the organisation is your PMO or project management team?

(% respondents)

The PMO is an enterprise group that reports directly to a C-level executive, such as the CEO, CIO, or CTO

19

The PMO is an upper-level management group and reports to a VP

35

The PMO is mid-level management group

17

We do not have a PMO; project managers report to their divisional managers

22

Don't know/Not applicable

7

What statement best describes the role of the PMO and/or project managers in your organisation?

(% respondents)

Senior project managers are leaders in the organisation who participate in the strategic planning process, business management, and programme or portfolio management decision-making

23

Senior project managers are primarily responsible for project and programme management, and they communicate frequently with the executive team on project and programme decision-making

44

Senior project managers are focused on the day-to-day management of programmes and projects, and report to the executive team only to update them on project progress

25

Project managers are only in charge of managing the day-to-day activities of their project teams, and never interact with the executive team

8

What do you consider the most important benefits of following project management practices in an organisation?

Select up to three.

(% respondents)

Directly affects our bottom-line results and ability to meet strategic goals

61

Enables us to deliver greater oversight on budgets, and to be more accountable to project stakeholders

42

Helps us win new projects

32

Helps us choose the best projects to pursue

31

Enables us to prove the value of the projects we deliver

27

Enables us to plan for the future and ensure our competitive advantage

25

Helps us achieve regulatory compliance

15

Other

2

How has the importance of your firm's project management practices changed as a result of the current economic downturn?

(% respondents)

It is far more important now

25

It is somewhat more important now

33

There has been no change

34

It is somewhat less important now

3

It is much less important now

0

Don't know/Not applicable

4

How has your organisation changed its procedures with regard to project management in the past two years?

Select all that apply.

(% respondents)

We invest more time in up-front project planning and due diligence now than we did two years ago

40

We measure project outcomes more frequently than we did two years ago

38

We conduct more frequent project reviews to assess risks, evaluate milestones, and determine ongoing value today than we did two years ago

37

Investing time and money in training project management professionals has become more important to us in the last two years

30

We rely more heavily on project management practices to help us achieve project goals than we did two years ago

26

Other

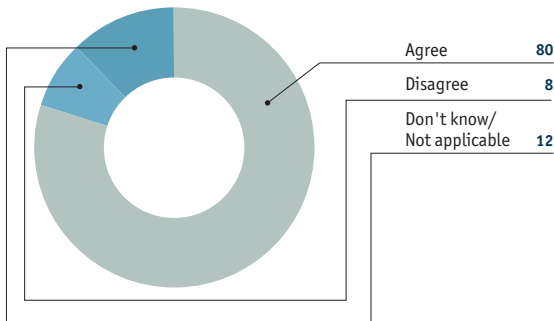
4

Don't know/Not applicable

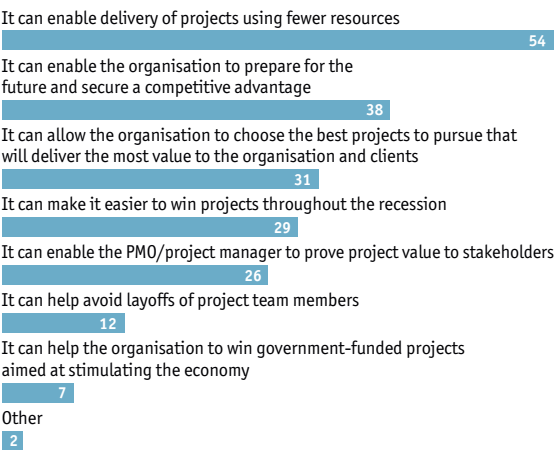
13

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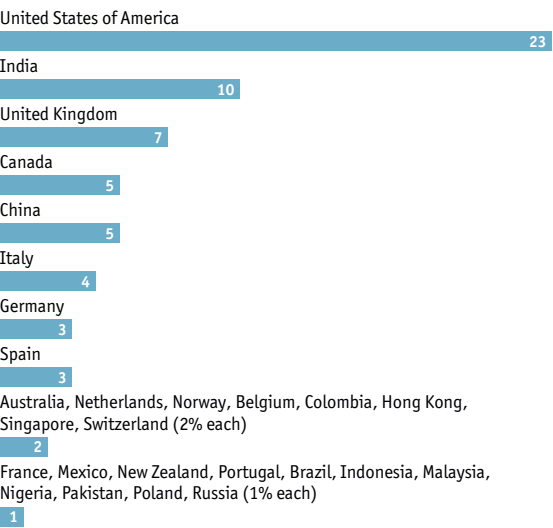
Do you agree or disagree with the following statement? Having project management as a core competency helps my organisation remain competitive during a recession.
(% respondents)



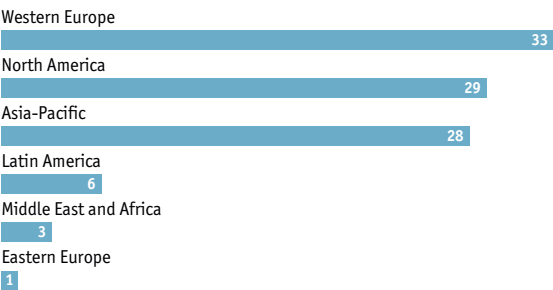
In your opinion, how does competency in project management help your organisation remain competitive during a recession? Select all that apply.
(% respondents)



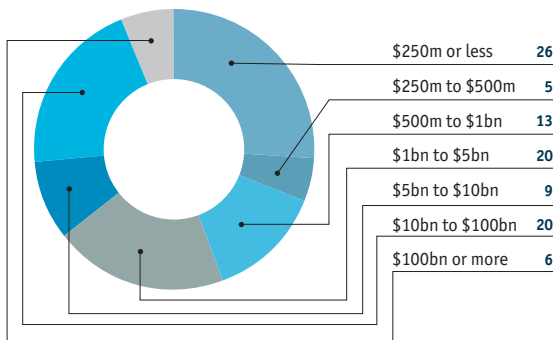
In which country are you personally located?
(% respondents)



In which region are you personally based?
(% respondents)



What are your organisation's global annual revenues in US dollars?
(% respondents)

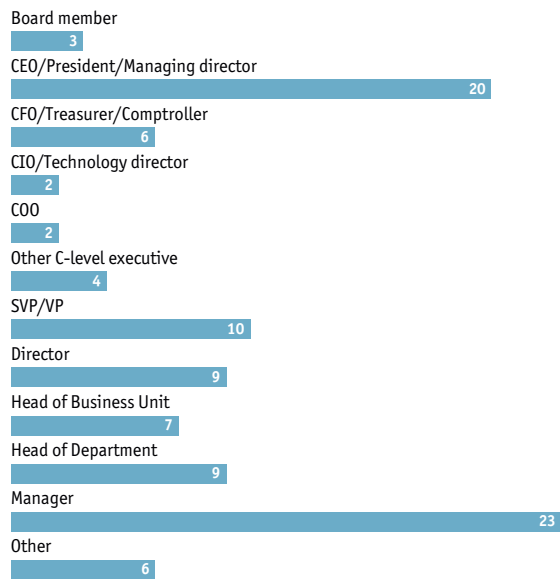


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Which of the following best describes your title?

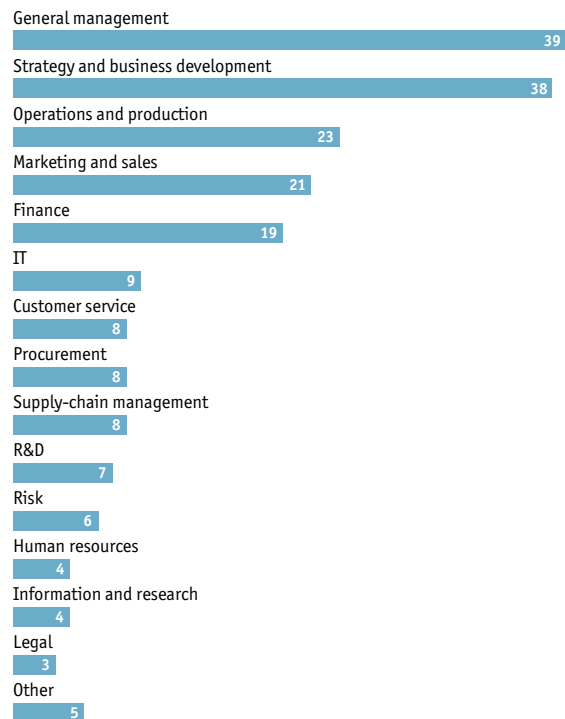
(% respondents)



What are your main functional roles?

Please choose no more than three functions.

(% respondents)



Whilst every effort has been made to verify the accuracy of this information, neither the Economist Intelligence Unit Ltd nor the sponsors of this report can accept any responsibility for liability for reliance by any person on this report or any other information, opinions or conclusions set out herein.

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