

PPM FOR INTERMODAL TRANSPORTATION & INFRASTRUCTURE ORGANIZATIONS: SELECT, MANAGE, AND MAINTAIN TRANSFORMATIVE PROJECTS

March, 2015

→ **Nick Castellina**, Research Director,
Business Planning and Execution



Report Highlights

p3

Budget costs and lack of resources creates a need for improved project portfolio management.

p5

Leaders are 24% more likely to be able to analyze potential ROI of projects.

p6

Leaders are 70% more likely to have a centralized view of data across the project portfolio.

p10

Organizations with PPM spend 19% less on a typical change order.

This report, based on a survey of 99 travel and transportation organizations, uncovers how top performers select and execute transformative projects due to the centralized information and automated processes that Project Portfolio Management (PPM) solutions provide.

2

Every organizational improvement starts as a project. Unfortunately, it is not feasible to start every project that comes to mind. Cost constraints and a lack of resources require top performers to take an intelligent approach to project portfolio management.

In this report, Aberdeen groups survey respondents into two maturity classes:

- **Leaders:** Top 35% of respondents based on performance
- **Followers:** Bottom 65% of respondents based on performance

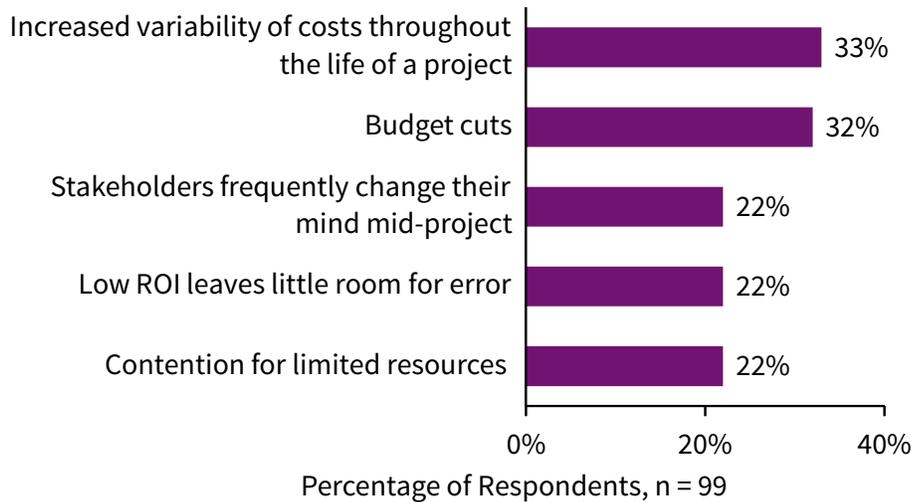
Organizational transformation is a major objective for operations that belong to the travel and transportation infrastructure industries, such as highways, airports, and railways. These organizations must become more effective while continuing to keep costs low. But when managing such complex operations with so many moving parts, where are these organizations to begin? Every organizational improvement starts as a project. Unfortunately, in these industries, it is not feasible to start every project that comes to mind. Cost constraints and a lack of resources force organizations to select only the projects that will provide the greatest gain for the organization. Of course, this argument is based on the assumption that projects will be completed without a hitch. Therefore, both project selection and project management are extremely important for travel and transportation industries in their quest for transformation. This report, based on a survey of 99 travel and transportation organizations, uncovers how top performers select and execute transformative projects due to the centralized information and automated processes that Project Portfolio Management (PPM) solutions provide.

Transformation Doesn't Come Easy

Business transformation is easier said than done. Aberdeen's Project and Portfolio Management Survey asked travel and transportation organizations to select their "top two" pressures in project management (Figure 1). The results show that these organizations face significant pressure in both selecting and managing transformative projects.

3

Figure I: Challenges Managing and Selecting Transformative Projects



Source: Aberdeen Group, February 2015

When it comes to selecting projects, budget costs and low potential ROI bring substantial challenges. These organizations must do a better job of prioritizing which projects will provide the biggest impact on the organization. Are these projects aligned with long- and short-term goals, or are they merely "nice to have?" Further, frequent "loud" voices may be pulling for projects that do not provide a real business case. But it is not merely a question of which project will provide the greatest ROI, it is also a question of which project the organization can actually pull off. With limited resources, travel and transportation organizations must look across the entire project portfolio to ensure that resources are allocated effectively and that there is an optimized mix of initiatives and projects.

Similarly, limited resources must mean that these organizations do more with less as they manage individual projects. This is compounded by rising, unpredictable costs. Further, unpredictable stakeholders mean that project scope can change very quickly. For these reasons, travel and transportation

In this report, travel and transportation organizations were ranked on the following criteria:

- **Projects delivered on-time or early:**
 - Leaders - 93%
 - Followers - 87%
- **Projects delivered within budget:**
 - Leaders - 95%
 - Followers - 88%
- **Percentage below budget that typical project is completed:**
 - Leaders - 2%
 - Followers - 1%

4

Leaders were asked to select their "top two" strategies:

- 33% - Improve agility
- 33% - Improve deployment of skilled resources across multiple projects
- 33% - Improve visibility into project data
- 28% - Improve communication with stakeholders throughout projects

"Clear portfolio selection and prioritization criteria was the most beneficial thing. It provided improved project/program alignment with organizational strategy."

**- IT Director,
transportation
organization**

organizations must look to ways in which they can improve project execution and make sure that transformation is achieved.

In response to these challenges, top performing travel and transportation organizations have embarked on a series of strategies (see sidebar). Survey takers were asked to select their "top two" strategies that impact project and portfolio management. The top strategies of Leaders suggest that there are two main components that are essential to these tasks: visibility and flexibility.

Among the top strategies of Leaders are improving visibility into project data and improving deployment of resources across multiple projects. Therefore, Leaders are looking for a centralized source of information related to ongoing and potential projects. These organizations can then manage the whole project portfolio holistically as well as ensure that projects are completed as intended.

Further, Leaders make agility an essential part of project and portfolio management. As projects march toward completion, changes are inevitable. There are an infinite number of risk factors that can affect project completion. These could be anything from weather conditions, to varying costs, to unreliable machinery, to changing management priorities. Leaders understand that these events must be planned for, and that they must be able to "roll with the punches" to ensure that projects are completed on-time and under budget.

Improving Selection and Execution

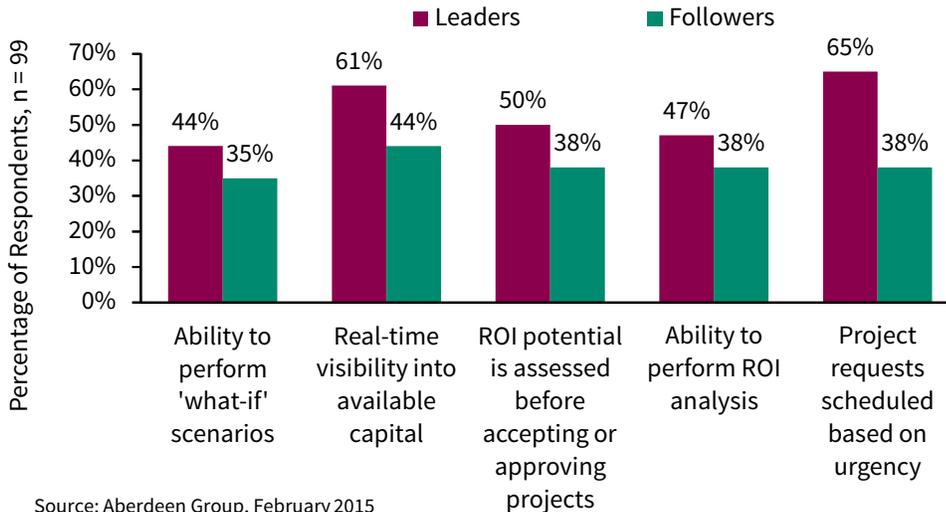
In their quest to select the transformative projects that will be most beneficial, travel and transportation organizations must ensure that projects are aligned with their strategy, that budgets and resources are available, and that the organization will be

5

able to succeed in these projects. These organizations can then prioritize the projects that are most important. This would be very difficult without the access to improved visibility that Leaders have made a top strategy. In fact, Leaders have implemented capabilities that allow them to make intelligent portfolio decisions (Figure 2).

72% of Leaders have business analytics technology in comparison to only 35% of Followers

Figure 2: An Intelligent Approach to Managing Portfolios and Selecting Projects



These decisions start with weighing all available options and determining potential outcomes. Leaders are 26% more likely to have the ability to perform "what if" scenarios. Decision-makers can then better understand how factors such as costs, available resources, timelines, and many other factors will impact a potential project. This capability is aided by Business Analytics technology, which helps to aggregate, calculate, and visualize predictive information to factor into portfolio decisions. There are essential components that must be factored into these decisions, such as available capital and ROI. For example, failure to repair super-structure can lead to catastrophic events. This can lead to damaged assets, negative public perception, health

6

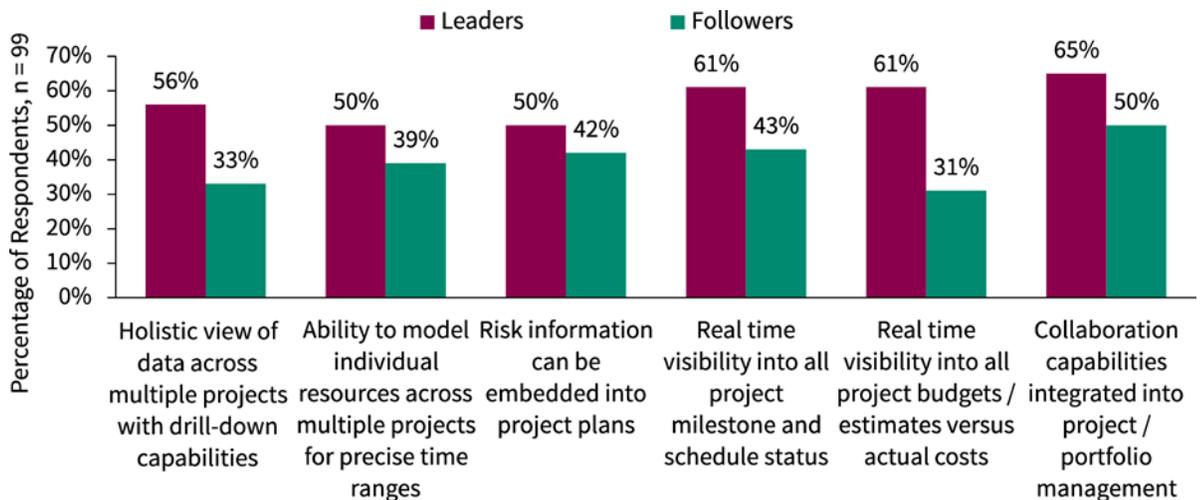
72% of Leaders have standardized project management best practices across the enterprise

and safety risks, and worse. The benefit of a PPM tool with Business Analytics is that new metrics can be considered.

With this information, the portfolio can be better optimized. The organization can more effectively create an organization-wide, fully integrated plan for business transformation. For example, Leaders are 71% more likely to be able to schedule their project requests based on urgency. This would not be possible without an intelligent approach to portfolio optimization.

Even if the project portfolio has been optimized using the best possible methods, this does not necessarily mean that transformative projects will automatically be successful. There is still the important matter of resource allocation, project design, and execution. For top performers, a centralized source of project information is the foundation of project management (Figure 3).

Figure 3: Designing and Executing Projects



Source: Aberdeen Group, February 2015

7

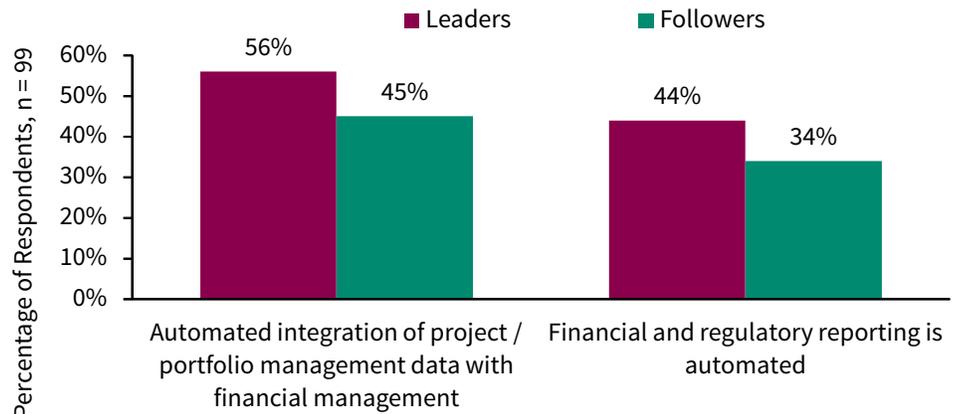
Since top performers already have a holistic view across all projects, it would make sense that drilling down from this information would create a central source for project managers to use as they guide their projects towards completion. This starts with project design. Using a holistic view of all information, 50% of Leaders can model individual resources across multiple projects to ensure that they have access to the right skillsets to complete the project. They can also plan ahead using risk information to understand where potential problems may arise. This is essential for enabling agility in project execution since contingency plans can be made.

But agility is impossible without understanding current project statuses. Therefore, the project team needs ongoing insight into project timelines, budgets, and performance. Leaders are 42% more likely to have real-time visibility into all project milestones and schedule statuses. They are also 97% more likely to have real-time visibility into all budget and cost information. This is essential for ensuring that projects stay within scope and that adverse events are mitigated through improved agility. This is only part of the picture; a fully integrated view of all project information provides the foundation for automation and collaboration.

The last step of effective project and portfolio management is reporting. With real-time access and reporting of financial data, decision makers can keep an eye on budget variances, measure ROI, and automate reporting to regulatory bodies (an essential process for heavily regulated industries). Therefore, it is essential that project portfolio data is integrated effectively with financial systems. For this reason, Leaders are more likely to automate project reporting (Figure 5).

**50% of Leaders have
all project
information stored in
a centralized
repository**

Figure 5: Automated Reporting



Source: Aberdeen Group, February 2015

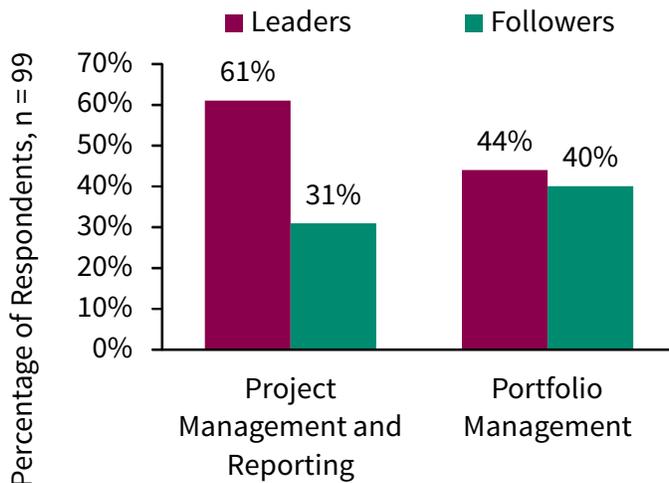
"We are in the process of adopting an enterprise global nomenclature for project management. Global risk assessment consistency has benefited us."

- IT Director, government transportation infrastructure organization

So where do these capabilities come from? Many capabilities related to selecting and managing transformative projects can come by making changes to organizational structure and process standards. But, ultimately, travel and transportation organizations can best improve project and portfolio management by relying on software dedicated to improving these capabilities. Leaders are more likely to have implemented both project management and portfolio management tools (Figure 6).

9

Figure 6: Essential Technology



Source: Aberdeen Group, February 2015

Project management tools are intended to help organizations complete individual projects on-time and under budget. They can help to provide templates for project plans and budgets as well as improve visibility into all project data to create a single source of decision making through project completion and reporting. These tools can include time and expense tracking, change management, and workflow automation. Portfolio management is a technology that has come into favor more recently. Now, organizations prefer to take a holistic view across all of the projects that the organization is currently working on. This technology is designed to help organizations select projects, manage resources effectively, execute projects, and provide more robust reporting. When it comes to transformation, PPM tools help to support growth through better formulation, alignment, and execution of corporate initiatives using the capabilities noted above.

10

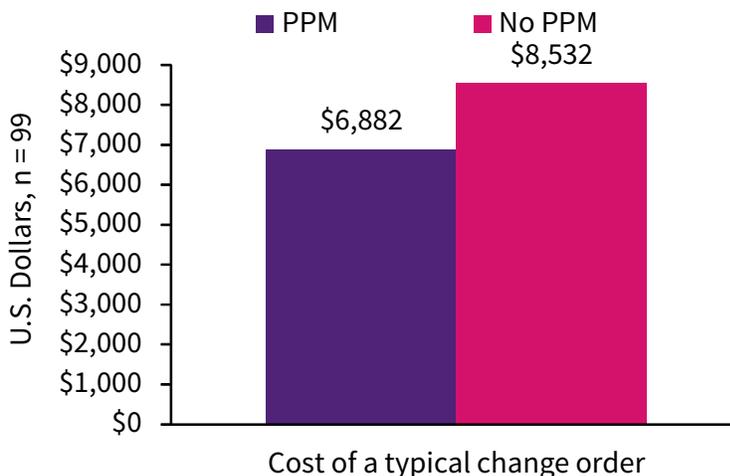
Travel and transportation organizations with PPM report excellent performance in a variety of metrics:

- Percentage of projects delivered on-time: 89%
- Percentage of projects delivered under budget: 90%
- Typical variance below budget: 2%
- Improvement in project ROI over the past year: 2%
- Improvement in time-to-decision over the past year: 2%
- Unscheduled asset downtime: 4.2%

The Benefits

PPM tools can provide a significant advantage as travel and transportation organizations manage portfolios of transformative projects. In fact, these tools help to ensure that the full intended ROI of these projects is reached. Organizations with PPM tools note impressive performance in a variety of metrics, including the percentage of projects delivered on-time and under budget, budget accuracy, project profitability, asset downtime, and time-to-decision (see sidebar). Of course, many organizations want to see real cost benefits when selecting a solution. Due to the improved visibility, automation, and visibility that PPM solutions provide, travel and transportation organizations spend 19% less on a typical change order. Combined, these benefits make a compelling case for implementing a PPM solution.

Figure 7: PPM Influences Change Management



Source: Aberdeen Group, February 2015

11

Key Takeaways and Recommendations

As travel and transportation organizations attempt to transform their businesses to operate more effectively in the new environment, the ability to select the most important projects and deliver them to meet intended ROI becomes extremely important. These organizations have many moving parts and taking this holistic and intelligent approach can be extremely daunting without access to essential tools and the proper tactics. In order to ensure that your organization gets the most out of transformative initiatives, consider the following recommendations:

- ➔ **Take an analytical approach to project portfolio management.** Business analytics can help business leaders gather, visualize, and analyze essential data for decision-making. It is a foundation for adding intelligence to the subsequent recommendations. Leaders are over twice as likely to have business analytics tools.
- ➔ **Assess and prioritize projects in the portfolio with transformative potential.** Determine which projects will bring the most potential benefit to the organization. Consider costs, timelines, availability of resources, and importance. Leaders are 24% more likely to be able to analyze potential ROI.
- ➔ **Intelligently allocate resources and materials.** Without the right resources, a project will not be successful. Top performing organizations are able to look across the project portfolio to ensure that the correct skillsets and materials are available to ensure projects are completed as intended.

12

- **Standardize and automate processes and project management.** Top performers rely on their technology to automate project management. They create standard project management best practices, provide project templates, and encourage collaboration. This is the best way to ensure that projects are completed without a hitch.
- **Integrate data to improve reporting.** Reporting on an ongoing basis helps project managers understand when costs are exceeding budgets so that they can pull in the reins. Additionally, many transportation and travel organizations are subject to regulatory mandates. By integrating project portfolio management and financial systems, a capability that 56% of Leaders have, top performers can avoid unwanted scrutiny.

Over all, project portfolio management tools provide a platform for transformation in the travel and transportation infrastructure industries.

13

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

Managing the Project Portfolio to Improve Profits;
December 2014

*Improving Profit Margins in AEC: Visibility, Risk-
Mitigation, and Project Management;* October
2014

*Why Your Organization Can't Afford to Ignore Time
Tracking and Resource Scheduling;* October 2013

*Social Project Management: The Whole is
Stronger than its Parts;* October 2013

Author: Nick Castellina, Research Director, Business Planning and Execution
(nick.castellina@aberdeen.com)

About Aberdeen Group

Since 1988, Aberdeen Group has published research that helps businesses worldwide improve performance. We identify Best-in-Class organizations by conducting primary research with industry practitioners. Our team of analysts derives fact-based, vendor-agnostic insights from a proprietary analytical framework independent of outside influence. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision making and improve business strategy.

Aberdeen's content marketing solutions help B2B organizations take control of the Hidden Sales Cycle through content licensing, speaking engagements, custom research, and content creation services. Located in Boston, MA, Aberdeen Group is a Harte Hanks Company.