Predicts 2011: PPM Goes From Managing Projects to Managing Value and Change

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During the past two decades, organizations have heavily "projectized" the work they do in an attempt to get reliable results and enable significant changes in their environments. However, traditional project management relies on isolating specific work, while holding all else stable. The "new normal" of chancy economic conditions is quickly becoming counterproductive, because the future business environment will require that change always be expected.

Key Findings

- Project management is evolving from a "one size fits most" approach to a spectrum of approaches tuned to optimize various internal needs.
- Organizations undertake significant projects and programs to create business change. Business change requires leadership — the right kind at the right time.
- Diversity of roles, tools and approaches will typify the next era of PPM. PMOs that want a strategic role will evolve as facilitators of strategic change efforts to support those efforts. Others will be marginalized into tweaking and optimizing existing process, or dissolve completely.

Recommendations

- PPM leaders (PMO heads, program managers, project portfolio managers, etc.) and the executives they report to (often at the C-level) should function, first, as PPM change agents, employing a toolbox of approaches to fit particular work streams and identify different leadership profiles for each area.
- Users need a strategy to manage a diversity of PPM-related software tools, deployment styles and maturity of use in the environment, because single-platform convergence will be too difficult to achieve.
- PMO value does not happen one project at a time, but in the aggregate ability across projects and programs, consistent delivery of value, and overall benefits realization. PMO leaders should not confuse the means (standards, process), with the end (higher throughput, stakeholder satisfaction, shorter time to decision, etc.).
WHAT YOU NEED TO KNOW

This document was revised on 23 November 2010. For more information, see the Corrections page on gartner.com.

PPM is a growing area of need for organizations. Investments need to be carefully selected, executed and followed to ensure value and alignment. As organizations have carefully "projectized" these investments, we find that traditional structured project management, PPM software tools and PMO structures are not delivering the expected results. Our predictions outline how organizations will redefine today's common wisdom to get a better fit to their business environments and their organizational cultures.

Strategic Planning Assumptions

By 2014, organizations will invest 30% less time and money in traditional IT project management than in 2010.

By 2014, more than 30% of organizations will experience a proliferation of software tools installed to support PPM processes and projects.

By 2014, less than 20% of today's PMOs will become an enterprise function centered on business change or strategy execution.

Strategic Planning Assumption: By 2014, organizations will invest 30% less time and money in traditional IT project management than in 2010.

Analysis By: Robert Handler, Audrey Apfel, Michael Hanford, Donna Fitzgerald, Lars Mieritz, Dan Stang, Matt Light

Key Findings:

- Linear, phase-by-phase project management will decline in use in favor of faster, more iterative, and "lighter" approaches that are results — not process — driven. Making this shift is essential for organizations, individuals, service providers and others who have invested heavily in the current paradigm of structured project management for both business and personal success, because the recipe is changing.

- For the past two decades, organizations have heavily projectized work in an attempt to get reliable results and to enable significant changes in their environments. However, traditional project management relies on being able to manage work by designing a specific beginning, an end and a unique deliverable before the project begins. Changes of requirements, scope, timing and budget are the bane of a well-run project. This linear, "freeze-the-plan and the requirements" approach as the default for almost all project work is quickly becoming damaging to achieving real results, in the "new normal" economic climate. The current and future business environment will require dealing with high levels of ongoing uncertainty, and change needs to be expected, not eschewed. The velocity of change is increasing, and linear project and program management techniques, quite simply, can't keep pace.

- Change needs to be expected, not avoided. In an environment of rapid change and many unknowns, upfront initiative planning and estimation do not get better simply by working harder on them. Rarely do we see organizations dramatically improve their project delivery success without shortening the length of projects, simplifying or eliminating requirements, or deferring functionality into future (and almost never delivered) releases (see "Exploring the Relationship Between Project Size and
Success”). Organizations have already started applying a variety of operational, iterative and product management approaches to much of the work formally handled as traditional projects, and we expect that trend to accelerate.

- Organizations will continue to spend money on getting work done efficiently and effectively. Our prediction indicates, however, that the time of traditional project management being the answer to every problem has ended. Results, value, and “in time” to meet rapidly moving opportunities are the only PPM drivers that successful organizations will recognize.

**Market Implications:**

- Look for user organizations to endure a period of confusion as a variety of approaches are tried in different environments. Success will mean a return to a focus on internal best practices and leadership. Tuning the engine for optimal performance during a race requires a team with intimate knowledge of the particular engine, and someone to direct the action. The mantra of “we need leaders” will, once again, come into fashion. Organizations will be mixing and matching internal and external people, practices, processes and tools to create a responsive environment.

- Service providers will find the environment perplexing. Buying centers will proliferate as different user groups, piloting new approaches, run their own popularity contests for who will help them. Providers will be challenged to approach (or sometimes reapproach) vertical and best-of-breed strategies, or attempt to go broad and address and manage many evolving styles of work.

- Organizations that publish standards, and provide a variety of certifications will need to put on their track shoes if they want their work and accompanying ecosystems of services to maintain relevancy and value. Incremental additions to legacy approaches won’t be what organizations want or need.

**Recommendation:**

- PPM leaders (PMO heads, program managers, project portfolio managers, etc.) and the executives they report to should facilitate the build-out of a toolbox of approaches, capabilities and skills, and well-equipped scenarios that span a spectrum of work (see Figure 1). This will require tuning processes to fit particular work streams and identifying different leadership profiles for each area. The business value of this evolution will be higher work throughput at lower cost.
Figure 1. Styles of Work

Source: Gartner (November 2010)

Related Research:

"The Enterprise PMO: An Emerging Force in Strategy Realization"


"Projects Today, 'Change Operations' Tomorrow"

"Exploring the Relationship Between Project Size and Success"

Strategic Planning Assumption: By 2014, more than 30% of organizations will experience a proliferation of software tools installed to support PPM processes and projects.

Analysis By: Dan Stang, Matt Light, Donna Fitzgerald, Audrey Apfel, Michael Hanford, Robert Handler, Lars Mieritz

Key Findings:

- The vision of a single software platform for PPM will not be achieved during the next three years. In more than 30% of organizations, as the base of users expands within an organization, multiple tools will be installed to meet seemingly unique needs. These tools will often be deployed even though the functionality clashes with, is redundant to, or could be expanded from software already in their environment. The decisions will
often be made tactically (on short- to mid-term needs, and the quickest path to immediate value).

- Executives and managers are looking for tools to enable visibility, planning, analysis and holistic decision making. Part of this need is driven by the growing trend toward enterprise PMOs (EPMOs), with enterprisewide responsibilities, and by the executives who have created them. As organizations look for more capabilities to support planning and decisions across their portfolios, as well as optimization across resource populations, users will look for tools to enable these functions. Many of today's leading PPM tools are viewed as too inflexible, complicated and too granular for these needs. Layering functionality for program management and portfolio optimization on top of existing implementations can take longer than users are willing to wait. In fairness, this is often not a limitation of the specific software, but of the team that implemented and positioned it. Executives might well be entranced by "quick, simple and close-enough" approaches offered by point solutions while their PPM tool teams remain mired in granular data of dubious integrity.

Market Implications:

- Users will need to evaluate PPM applications and tools differently, and will have to entertain more diversity in their environments. This will be a forcing function for PMOs and other PPM leaders to optimize tools as separate exercises based on the required user (versus the project or the tool).

- For providers of products and services, the installed base will be no guarantee of add-on business. We expect the need for wider visibility — with focus on business scenarios and outcomes — and the need to have the solution quickly will make for a very open field. Users will be willing to look at a range of solutions and deployment styles until they find what they want.

Recommendation:

- PPM leaders should focus on people and process first, then tools. Users need to have a strategy to manage a diversity of tools, deployment styles and maturity of use in the environment, because single-platform convergence will be too difficult to achieve. Therefore, users need to focus on a well-integrated toolset that provides converged reporting, views and analytics.

Related Research:

"Magic Quadrant for IT Project and Portfolio Management"
"PPM Markets: From General Purpose to Market Segments to Enterprise"
"On-Premises, Hosted or SaaS: How Should You Deploy a PPM System?"

Strategic Planning Assumption: By 2014, less than 20% of today's PMOs will become an enterprise function centered on business change or strategy execution.

Analysis By: Donna Fitzgerald, Michael Hanford, Lars Mieritz, Robert Handler, Dan Stang, Matt Light, Audrey Apfel

Key Findings:

During the last several years, a high rate of PMO "startup" activity has correlated with a PMO implementation failure rate of more than 50%. We believe this is due to a distinctive mismatch between organizational expectations of the PMO (such as reliable results, value-based
prioritization and delivery of change through projects) and the overemphasis of PMOs on process, compliance and standardization. Now that most organizations have experienced one or more iterations of PMO structures within their organizations, they are setting more realistic goals. These realistic expectations will come in one of three futures for PMOs — strategic, maintenance or dissolved (see Note 1).

**Market Implications:**

- Successful PMOs have leaders who are effective change agents, and understand the cultural, maturity and political aspects of the job. As one PMO leader expressed to us, “I was hired to change the DNA of the organization.” These leaders will continue to be in the minority. So, while more books will be written, processes documented and, best practices discerned from peers, overall success will still be hard to come by if guided by external sources and process expertise only. Soft and leadership skills need to complement this foundational knowledge.

- For providers of products and services, we believe there will be continued hunger for PMO assistance of various kinds, ranging from staff augmentation to PMO implementation. Instead of tweaking dozens of generic processes into a "custom" PMO playbook for their customers, providers should focus on effective skills transfer; engagement models and communication plans that will ensure their customers are successful after the engagement ends.

**Recommendations:**

- PMO leaders need to focus on what their organizations need them to be, and how to continually demonstrate progress and value for what they do. PMO value does not happen one project at a time, but in the aggregate ability across projects. PMO leaders should not confuse the means (standards, process), with the end (higher throughput, stakeholder satisfaction, shorter time to decision, and so on).

- PMOs need to clearly define the opportunities for improvement they are targeting at the aggregate level, the initiatives they will undertake to exploit that opportunity, and the right "end" metrics to indicate these improvements. All the while, they should be ensuring that "just enough" approaches are used, and all process steps and administration instituted can be directly justified as necessary to meet the aforementioned goals.

**Related Research:**

"The Enterprise PMO: An Emerging Force in Strategy Realization"

"Defining EPPM and Determining When It Matters"

"ITScore Overview for Program and Portfolio Management"

**A Look Back**

*In response to your requests, we are taking a look back at some key predictions from previous years. We have intentionally selected predictions from opposite ends of the scale — one where we were wholly or largely on target, as well as one we missed.

**On Target: 2007 Prediction** — By 2010, at least one IT PPM leader will emerge with a midmarket focus, largely by featuring a strong software as a service (SaaS) offering.
In 2010, there is certainly a strong SaaS market for PPM products. While claiming this prediction is on target, it vastly understated the growth in SaaS offerings we would see and the expanded focus, while including the midmarket, and way beyond. We are tracking more than a dozen SaaS offerings. The SaaS market for PPM is rapidly growing in percentage of sales and is projected to do so at a significant pace.

**Missed: 2005 Prediction** — By 2009, most IT organizations will have integrated their PPM processes with tool support to better align project portfolios, allocate resources to projects and support tasks, and track resource usage and costs.

We are revisiting this prediction to evaluate its status at year-end 2010, a year past the original stated timeline. We still cannot claim that "most IT organizations" have integrated their processes to ensure better alignment of the demand side of PPM (prioritizing and valuing investment opportunities) with the supply side (a comprehensive view of resources, money and time available to execute the projects resulting from these investments). Our clients are still in the early stages of PPM maturity (generally between Level 1 and Level 2) in the Gartner Maturity Model, which means they are still struggling with the basics of implementing good process, necessary before good automation through tools can occur.

**Evidence**

1. Gartner's 2010 CEO and Senior Business Executive Survey indicated respondents' belief in continuing business and economic turbulence that will likely lead to the persistence of shorter planning horizons. Already in 2010, both Accenture and McKinsey commentators have publicly noted the tendency of boardrooms to be less interested in traditional three- to five-year business strategy approaches.


3. Gartner surveyed 153 organizations in the U.S., with revenues of $500 million or more, on their success or failure with their IT application development projects. Results of the survey showed that smaller projects had higher project delivery success rates than larger efforts.

4. According to Gartner research of IT key metrics data of key applications and project measures, from 2005 to 2009, the following dynamics occurred:
   - Project management effort on projects increased from 5% to 11% (see "IT Key Metrics Data 2010: Key Applications Measures: Life Cycle Distribution: Multi Year")
   - Cost per function point increased from $38 to $56 (see "IT Key Metrics Data 2010: Key Applications Measures: Cost and Staff Profile: Multi Year")
   - Defect removal increased from 4% to 6% (see "IT Key Metrics Data 2010: Key Applications Measures: Life Cycle Distribution: Multi Year")
   - Use of agile increased from 9% to 15% (see "IT Key Metrics Data 2010: Key Applications Measures: Development Practices: Multi Year")

The use of traditional project management methods, designed to support structured or waterfall delivery appears to have reached the point of diminishing marginal returns. The development community is increasing its adoption of agile, which is not traditional. The diminishing returns in traditional project management, coupled with the increase in alternative delivery approaches, will lead to a 30% decline in investment in traditional project management; however, expect an increase in investment in alternative project management methods.
Extrapolated from about 300 Gartner PPM maturity assessments that were undertaken by user organizations.


Note 1
PMO Futures

Strategic PMOs focus on providing enabling skills, tools, people and competencies to support large-scale business change through situationally appropriate techniques, including iterative approaches and large-scale program management. The PMO's scope is not defined to lie within a particular function, because the work under its purview, by definition, does not fit within a particular silo. These organizations are described at Level 4 and Level 5 of the Gartner ITScore PPM Maturity Model (see "ITScore Overview for Program and Portfolio Management").

Maintenance PMOs define, develop and optimize the project management capabilities of the organization, at either the functional or enterprise level. They maintain processes, tools, training and reporting, monitoring adoption and compliance of them. These PMOs will optimize and stabilize their maturity at Level 3 in the Gartner ITScore PPM Model.

Eventual dissolution of the PMO. If the PMO never finds a value formula that fits business needs, the cost and burden of PMO process and administration will eventually be its undoing. We expect this dissolution to continue at a rate of 30% to 50% per year.

This research is part of a set of related research pieces. See "Predicts 2011: IT Opens Up to New Demands and New Outcomes" for an overview.