

PM PUBLISHING & INDUSTRY NEWS

Organizations Waste an Average of US\$122 Million per US\$1 Billion Spent on Projects

2016 *Pulse of the Profession*®: The High Cost of Low Performance Demonstrates Need for Stronger Worldwide Implementation of Project, Program and Portfolio Management

4 February 2015 – Philadelphia, PA, USA – Project Management Institute’s (PMI) has released their 2016 [*Pulse of the Profession*®: The High Cost of Low Performance](#); research reveals that organizations around the world waste an average of US\$122 million for every US\$1 billion spent on projects as a result of poor project management practices. This represents an increase of 12 percent over last year. Amid worsening project outcomes, increased competition, an uncertain economy and other disruptive global trends, the report identifies a number of ways organizations can improve their performance.

The 2016 *Pulse of the Profession* findings show that organizations that effectively use formal project, program and portfolio management practices waste 13 times less than organizations that don’t; however, the report also demonstrates that few organizations are successfully embracing these proven capabilities. The report concludes that organizations should place a greater emphasis on project management training and development, strategic alignment and benefits realization. Further, more organizations should utilize executive sponsors who can lend project support from the C-suite.



“Again this year, our *Pulse of the Profession* findings demonstrate that organizations aren’t paying enough attention to their ability to execute against their strategy. Projects, even those identified as an organization’s strategic initiatives, are failing, which results in wasted money, resources and time. That is not a sustainable business practice, and it is time to focus on what matters,” said PMI President and CEO Mark A. Langley. “Organizations must take another look at project management as the strategic competency that drives success.”

The 2016 *Pulse of the Profession* features feedback and insights from 2,428 project management practitioners, 192 senior executives and 282 Project Management Office (PMO) directors from a range of industries including government, financial services, information technology, telecom, energy, manufacturing, healthcare and construction. It also includes insights from eight corporate leaders and 10 PMO directors and directors of project management. The global totals in the report represent feedback from North America, Latin America, Europe, the Middle East, and the Asia Pacific region.

Of the geographic regions covered in the report, the Middle East reported the lowest average monetary waste on spending projects: US\$99 million per US\$1 billion spent.

Conversely, Brazil reported the highest average waste on project spending: US\$202 million for every US\$1 billion spent. North America came in under the global average, wasting on average US\$119 million for every US\$1 billion spent. Of the industries included in the study, government agencies had the lowest average monetary waste on spending projects: US\$108 per US\$1 billion spent. Financial services reported the highest average waste on project spending: US\$149 million per US\$1 billion spent.

Recommendations

Look beyond technical skills. Effective project and program management relies on blending technical skills with broader leadership and business qualities. The most successful organizations empower well-rounded professionals capable of overseeing long-range strategic objectives. Organizations that expand their focus in this way see 40 percent more of their projects meet goals and original business intent.

Recognize the strategic role of an enterprise-wide project management office (EPMO) and get it aligned to strategy. Project Management Offices are essential to overseeing strategic initiatives throughout an organization. This dedicated group can lead to significantly improved business outcomes. Organizations that align their EPMO to strategy report 27 percent more projects completed successfully and 42 percent fewer projects with scope creep.

Drive success with executive sponsors. Executive sponsors are uniquely positioned to overcome barriers to successful project outcomes. They are able to secure funding, champion strategies and objectives and foster collaboration within an organization. As a result, when more than 80 percent of projects have an actively engaged executive sponsor, 65 percent more projects are successful.

In addition to tracking trends in project management, this year's *Pulse of the Profession* incorporates insights from executive leaders and PMO directors to report their perspectives on why higher project success rates aren't being achieved. Among the chief findings:

Executive and PMO heads perceive project management differently. Executive leaders and PMO directors do not view organizational success and the benefits of project management in the same way. They have significantly disparate views about their organization's performance when it comes to formulating strategy, prioritizing and funding projects, executing strategic projects, and recognizing lessons learned. Additional gaps in perception exist between the benefits of using formal project management and improving risk identification and management, success with complex projects, customer satisfaction, and success with organizational change.

Executives and PMO leaders are optimistic about the future. Executive leaders and PMO directors agree on the importance of improving their competitiveness over the next three years. Eight in 10 executive leaders and PMO directors agree they will achieve that by formulating strategies appropriate for changing market conditions, prioritizing and funding the correct initiatives and/or projects, executing initiatives

and/or projects in a way that delivers strategic results, and using lessons learned from failed projects to inform strategic planning.

About Project Management Institute (PMI)

Project Management Institute is the world's leading not-for-profit professional membership association for the project, program and portfolio management profession. Founded in 1969, PMI delivers value for more than 2.9 million professionals working in nearly every country in the world through global advocacy, collaboration, education and research. PMI advances careers, improves organizational success and further matures the profession of project management through its globally recognized standards, certifications, resources, tools academic research, publications, professional development courses, and networking opportunities. Visit PMI at www.PMI.org, www.facebook.com/PMInstitute and on Twitter @PMInstitute.

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