

SUBMISSION TO THE SENATE FINANCE AND PUBLIC ADMINISTRATION COMMITTEE INQUIRY INTO THE DIGITAL DELIVERY OF GOVERNMENT SERVICES

March 2018

PMI Background and credentials

PMI is a not for profit professional association founded in 1969. The organisation represents and supports more than 3 million professionals working in nearly every country in the world by delivering global advocacy, collaboration, education and research for the project management profession.

PMI works with industry and governments throughout the world, and specifically advises the public sector on the delivery of projects and programmes more effectively and efficiently based on leading practices and global trends across both people and process factors of the projects and programmes themselves.

PMI offers eight certifications that recognize knowledge and competency, including the Project Management Professional (PMP)[®] certification, earned by more than one million practitioners worldwide, and still growing.

PMI publishes a wide range of standards for all aspects of project, programme and portfolio management. The standards are the most recognised across the project management profession and are a model for project management by business and government.

PMI's academic research program is the most extensive in the field, advancing the science, practice and profession of project management.

PMI's Pulse of the Profession[®] is an annual research study of trends in project management, as well as a series of in-depth reports on emerging topics of interest across the profession of project management.

PMI Perspective – *Why we are making a submission to the Inquiry*

PMI is in a position to provide an informed, comprehensive and global perspective on the value and impact of project management for organisations, including both business and government.

PMI is making this submission to the Inquiry as a global professional peak body and thought leader, on behalf of our profession around the world and thousands in Australia.

The organisation is not in a position to reflect on, judge or make comments in relation to delivery of individual projects. We can, however, recommend proven approaches to project delivery while providing insights based on our networks and relationships across the world.

PMI would specifically like to reference in its submission paragraph “c” of the Inquiry’s terms of reference:

c. digital project delivery, including:

- i. project governance,*
- ii. design and build of platforms,*
- iii. the adequacy of available capabilities both within the public sector and externally, and*
- iv. procurement of digital services and equipment*

In referencing this paragraph, PMI wishes to submit its views in relation to potential methods for the improvement of project delivery by government. Digital projects perhaps differ in some aspects of requirements, planning and delivery, when compared with other types of projects. As discussed below, our research however indicates that the elements of improved project performance are the same for digital projects as they are for other projects and further, that improved processes around project capabilities (talent, culture and processes) have resulted in improvements in overall project performance metrics.

The Pulse of the Profession®

Since 2006 PMI has charted the major trends in project management through our global study, The Pulse of the Profession.

The 2018 edition of the Pulse highlights feedback and insights from 4,455 project management practitioners, 447 senior executives, and 800 project management office (PMO) directors from a range of industries, including government, information technology (IT), telecom, energy, manufacturing, healthcare, and construction. Respondents span the North America; Asia Pacific; Europe, Middle East and Africa (EMEA); and Latin America and Caribbean regions.

The 2018 Pulse of the Profession reflects some welcome results. Notably, the survey has found a 27% decrease in the amount of money organisations (including government) are wasting due to poor project performance.

The most recent study reports that 9.9 percent of every dollar invested is wasted globally, down from 13.5 percent in 2013. While there continues to be much room for improvement, PMI’s research has consistently found that greater project maturity results in better project delivery and benefits realisation, as well as better financial performance.

PMI’s regional breakdown identifies opportunities for improvement in Australia. Compared with most metrics of organisation maturity with project management, Australia has identifiable gaps in compared to the global figures. Australia lags the global average reporting wastage of 13.9 percent of each dollar spent on projects.

Selected data from the 2018 Pulse of the Profession® is set out in the following table.

Measure	Global Total (%)	Australia (%)	IT (%)
<i>Talent</i>			
Percentage of organisations with a defined career path for those engaged in project or program management	43	33	55
Percentage of organisations with a formal knowledge transfer process	47	37	59
<i>Processes and Project Management Capabilities</i>			
Percentage of organisations that use standardised project management practices throughout the organisation	23	16	26
Percentage of organisations with a formal process to mature project management practices	45	41	54
Percentage of organisations with high project management maturity	39	33	46
<i>Culture and Organisational Capabilities</i>			
Percentage of organisations that fully understand the value of project management	58	57	68
Percentage of organisations with high organisational agility	28	15	39
Percentage of organisations where creating a culture that values project management is a high priority	37	32	46
<i>Project Performance</i>			
Percentage of projects meeting goals and business intent	69	65	70
Percentage of project budget lost if a project fails	32	39	30
<i>Dollars Wasted*</i>	\$99M on \$1 B	\$139M on \$1B	\$90M on \$1B

**Figures represent a percentage that can be applied to any currency.*

PMI's research also indicates that there has been strong project performance and outcomes in relation to IT projects. The research indicates that where organisations have invested in talent development, standardised project management capabilities, and organisation capabilities driven by effective culture, there are improved project outcomes.

PMI posits that, based on the experience of IT companies surveyed in the Pulse of the Profession®, there are substantial benefits to be achieved through the adoption of improved and standardised project management practice.

The challenges that the Australian Government faces in projects focused on digital delivery of government services are similar to challenges being faced in other jurisdictions across the globe.

With a focus on project delivery in countries across the economic development spectrum, PMI is conscious that this is not a one size fits all situation. The right approach will depend on varying degrees of maturity, team consistency, and project environment.

It is not surprising then that approaches to project management standardisation vary. For example, in the United States, a legislative measure has been used to create a standardised approach. In the European Union, the importance of project, program and portfolio management skills is being recognised in process of funding allocation. In the United Kingdom, a memorandum of understanding has been implemented to increase cooperation and knowledge transfer. In New Zealand, an Investor Confidence Rating has been used to establish a performance benchmark across all government agencies.

Developments across the world

Significant progress is being made in governments around the world.

The Program Management Improvement and Accountability Act (PMIAA)

The PMIAA passed the United States House of Representatives on 22 September 2016. The PMIAA was introduced to improve accountability and best practices in project and program management in the United States Federal Government. Implementation of this legislation will reform program management in four key ways:

1. Creating a formal job series and career path for program managers in the federal government.
2. Developing a standards-based program management policy across the federal government.
3. Recognizing the essential role of executive sponsorship and engagement by designating a senior executive in federal agencies to be responsible for program management policy and strategy.
4. Sharing knowledge of successful approaches to program management through an interagency council on program management.

Implementation and measuring effectiveness of the PMIAA

The legislation will establish additional functions of the Deputy Director for Management in the Office of Management and Budget (OMB). These additional functions include adopting and overseeing implementation of whole of Government program and project management standards, engaging with the private sector to identify and implement best practices, conducting annual portfolio reviews of agency programs with a focus on those deemed “high risk,” and establishing a five-year strategic plan for project and program delivery and workforce development. The Program Management Policy Council will also be established within OMB

as an interagency forum for learning and sharing program and project management best practices via its focus on addressing Government Accountability Office (GAO) designated high-risk projects and programs.

In addition to the functions of the OMB, each agency with a Chief Financial Officer will be required to appoint a Program Management Improvement Officer. The Program Management Improvement Officer will implement program management policies and develop a strategy for strengthening program management roles within each agency. OMB will be required to submit the strategy within one year of the Act coming into effect, which will be released with a slight delay to coincide with the President's Management Agenda as means of improving execution government wide.

The GAO will deliver a report in three years examining the effectiveness of the PMIAA including the standards, policies, and guidelines for program and project management; the strategic plan; the Program Management Improvement Officers; and the Program Management Policy Council.

A recent study by Accenture and Oxford Economics found the United States Government could save up to \$995 billion by 2025 through a one percent improvement of public sector efficiencies, including in relation to program and project management capability. Comparatively, the same report identifies \$58 billion to be saved by Australia for the same one percent improvement in the delivery of public services.

The introduction by the Australian Government of legislation similar to the PMIAA has the potential to make and sustain significant savings and efficiencies and improved project delivery through legislated improvement of the public sector's program and project management capability.

European Union Cohesion and Structural Funds agenda

PMI has worked with the EU Commission to highlight the importance of project management capabilities in relation to the efficient and successful delivery of public sector projects.

Project, program and portfolio management skills are formally recognised as part of the solution to the governance challenges faced in delivering outcomes in multiple jurisdictions, including through EU Regulations.

UK Infrastructure Projects Authority MOU with PMI

Through a December 2017 memorandum of understanding between the United Kingdom Infrastructure and Projects Authority (IPA) and PMI, the parties have agreed to work together to pursue education and exchange of leading practices.

Through the MOU, the organisations have agreed to active and ongoing cooperation, including research, communities of practice and knowledge sharing, as well as making use of wider PMI expertise and ongoing cooperation in Government events.

New Zealand Investor Confidence Rating (ICR)

The NZ Treasury has introduced the ICR as part of a range of initiatives to strengthen how government manages its assets and investments. Other initiatives that also work to strengthen

the investment management system include the Government Investment Portfolio, Better Business Cases, Major Projects Monitoring and use of the Gateway review process.

The ICR scale uses a scale that ranges from 'A' to 'E', with an 'A' rating signalling the highest level of performance and 'E' rating indicating significant assistance may be needed for the agency's investments to deliver promised results.

Included in the eight criteria assessed for an ICR score are Project, Programme and Portfolio management maturity; Organisational change management maturity; Project delivery performance and Benefits Delivery performance.

ICR is used to enable Agencies that receive a good rating to have greater autonomy, higher financial delegations and less monitoring and reporting. Agencies that do not rate as well may be provided additional monitoring and support from the Corporate Centre. As well as informing agencies about where to lift investment management capability and performance, the ICR is a component of the information considered by Cabinet when it prioritises investments.

Implementing the ICR

The ICR is conducted on investment-intensive agencies from across the State sector every two years. These agencies have large asset portfolios, or significant investments planned or underway, or a role managing assets that are service critical to the NZ government. The first round of assessments was conducted in four tranches, through to late 2017.

The ICR helps agencies identify gaps and lift their investment management capability. This helps them maximise the value of their assets and investments and ensure the planned benefits are realised. It rewards good investment management performance and proactively addresses gaps. International evidence suggests that agencies that deliberately and methodically build their investment management capability are likely to achieve better investment outcomes.

Developments in Australia

In contrast to ongoing development of greater maturity in relation to management of government projects in other countries, a number of recent Australian reports have recognised significant issues, with limited direct, coordinated, cross-government action to-date.

Productivity Commission Report into Public Infrastructure

In May 2014 the Productivity Commission was asked to inquire into the delivery of public infrastructure.

Recommendation 9.2 from the report outlined the need for implementation of a detailed benchmarking framework for project delivery:

The PC recommends the development and implementation of a detailed benchmarking framework for infrastructure, in order to improve the future planning and evaluation of projects, and ultimately bring down the cost of infrastructure projects.

As a result, the Australian, state and territory governments have agreed to the development of a benchmarking framework. As a first step, governments have agreed to the systematic collection of project information for land transport infrastructure.

This work will commence immediately and be led by the Australian Government's Bureau of Infrastructure, Transport and Regional Economics, in consultation with states and territories.

This initial work in the land transport infrastructure sector will inform the future development of project benchmarking for all major economic infrastructure, which is expected to begin in 2015.

Shergold Review

In 2014 the Australian Government asked Professor Peter Shergold AC to lead an independent review of Government processes for the development and implementation of large public programmes and projects.

The Review was asked to ...

“...make practical recommendations to enhance the capacity of the Australian Government to:

- a. Design and implement large public programmes and projects;
- b. Develop robust and effective governance and accountability arrangements for such programmes and projects;
- c. Understand the broader environment in which programmes and policies are designed and implemented (including through effective public consultation and harnessing external expertise);
- d. Identify, understand and manage risks; and
- e. Provide accurate, timely, clear and robust advice to ministers and within the APS.”

The report, *Learning from Failure: Why large government policy initiatives have gone so badly wrong in the past and how the chances of success in the future can be improved*, was presented to the Government in August 2015.

The final report released covered six key themes including providing robust advice, supporting decision making, creating a positive risk culture, enhancing project management, opening up the Australian Public Service (APS) and embracing adaptive government. The enhancing project management theme in the review investigated the program and project management capabilities of the APS.

The recommendations included centralised models and management, increasing project and program management capability, the introduction of ‘tiger teams’ to the APS and encouraging membership in industry associations are of relevance to PMI.

Key Points - Enhancing Project Management

Professor Shergold's report recognised three fundamental matters with respect to project and program management:

- Public servants need to value programme management skills.

- APS recruitment practices should better recognise the strategic relationships between design, delivery and evaluation in order to promote more diverse experience among senior executives.
- Increasing core capability, mobilising expertise and valuing leadership in programme and project management will strengthen the APS as an effective, professional and resilient institution that has the capacity to deliver the agenda of the government of the day.

Several of the Shergold Review's recommendations were focused on enhancement of programme and project management by government. These were:

- **D.13** The Australian Public Service Commission should work with industry associations to develop standards of proficiency for public sector project and programme managers, with agencies committing to support these staff through career development opportunities, continued education and participation in professional communities of practice.
- **D.14** For all projects and programme, there needs to be a clear understanding about who accepts end-to-end responsibility for managing implementation, wields delegated authority and where accountability resides.
- **D.15** The APS should establish a 'tiger team' capacity by which service-wide expertise can be harnessed to assist Senior Responsible Officers in the management of high risk, large-scale projects.
- **D.16** Whilst acknowledging that different departments have different workforce needs, Senior Executive Service selection criteria should place greater emphasis on programme leadership when considering a candidate's demonstrated breadth of experience.

PMI believes that ongoing work on these recommendations by the Federal Government would be of assistance in improving project performance. It is noted that a number of the Professor Shergold's recommendations align with desirable elements of enhanced project maturity as researched and identified by PMI around the world.

PMI would also welcome ongoing engagement with the Australian Government and the APS to further develop and implement these recommendations.

PMI recommendation to the Inquiry

There is significant potential for the Australian community to derive substantial additional benefit from a standardised, cross government, mature approach to project management. PMI recommends implementation of initiatives to improve project performance in a coordinated manner.

PMI stands ready and able to provide greater detail around any of the project management improvement processes and initiatives discussed in this submission; and is happy to assist officials to make contact with key players in other jurisdictions.

Given PMI's experience and interactions in other jurisdictions, it is recommended that the Government consider a pathway to improved project and programme performance mandated

via legislation to drive sustained activity and improved performance for public sector delivery of services.

As is the case with the Program Management Improvement and Accountability Act in the United States, key elements of this mandate would include:

- Development of a standards-based programme management policy across the federal government.
- Creation of a formal job series and career path for programme managers in the federal government.
- Recognition of the essential role of engaged executive sponsorship by designating a senior executive in federal agencies to be responsible for programme management policy and strategy.
- Sharing knowledge and improving cross-agency initiatives via successful approaches to programme management through an interagency council on programme management.

PMI recommends that the Australian Government commence an active process for the development of a coordinated approach across agencies, fostered under the auspices of a central agency mandate.

Focused and early implementation would commence in agencies most susceptible to improvements to project, planning, benefits realisation and most importantly project delivery.

These are likely to be in agencies responsible for project coordination, and in delivery agencies responsible for digital and information technology delivery, including those with responsibility for implementation and delivery of Australia's transfer payments and pensions systems.

Given the Australian federal system, there is further potential in the implementation of mature approaches to project management in areas of State responsibility and project delivery.

PMI's research has consistently found that greater project maturity results in better project delivery and benefits realisation, as well as better financial performance. Improved processes around project capabilities (talent, culture and processes) have seen improvements in overall project performance metrics.

There are significant opportunities for the Australian Government to continue to improve outcomes for the Australian community. PMI is happy to work with the Australian Government and its State counterparts to implement practices to bring about better outcomes.