P3M3® - less risk or more?

A presentation to RiskNZ's national conference

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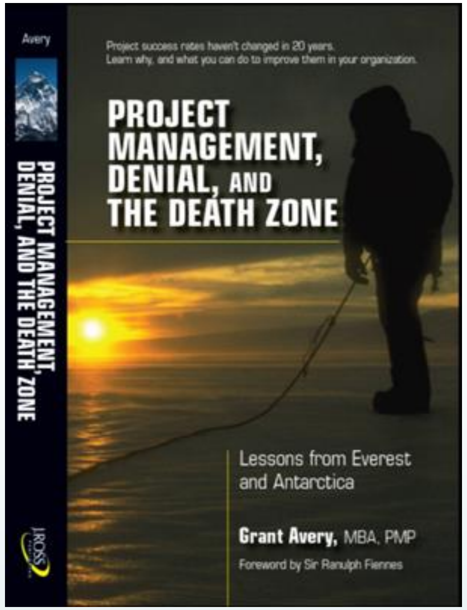
About

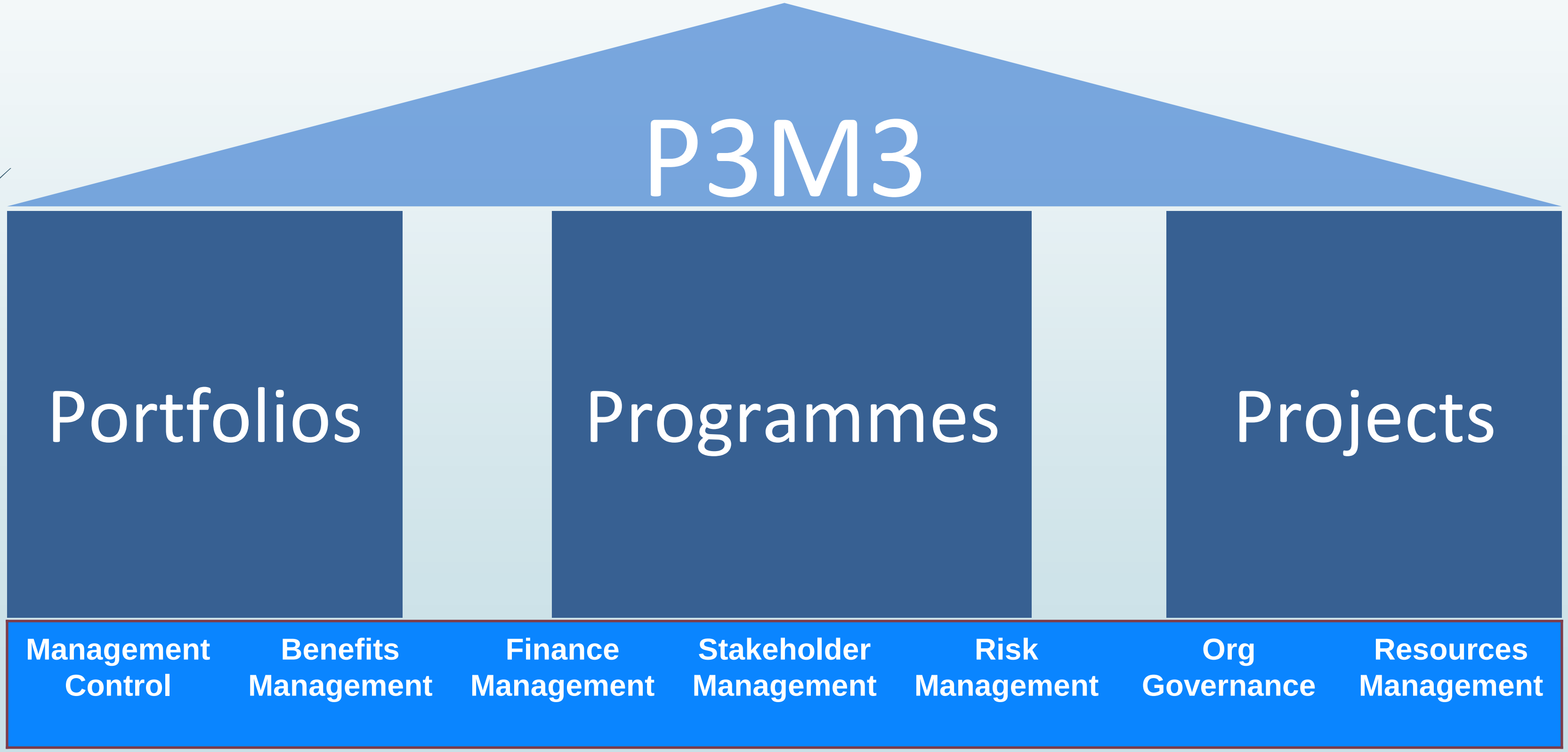
- Grant Avery, international speaker & author
- P3M3 v3 co-author (2013-2015)
- PMI registered PM professional (PMP) since 2001
- Licensed Axelos Consulting Partner (ACP)
- Licensed P3M3 assessor
- Major programmes and risk management experience
  - Defence C2, Health, ICT, Construction, International, Tropics, Antarctica
- KPMG Director Project Advisory(2010-2012)
- Author "*Project Management, Denial, and the Death Zone*" (JRoss Inc, 2016)
  - (PMI Book of the Month, March 2016; Winner RiskNZ Exemplar Award 2016)
- MBA (Distinction), PMP, MSP, MB



Notices: The following presentation describes some aspects of P3M3, its value and risk management benefits, relevant to the management of strategic and P3M practice risk management. For further information on P3M3 attendees should visit: https://www.axelos.com/best-practice-solutions/p3m3

P3M3® - Treasury's recommended framework

- Portfolio, Programme, and Project Management Maturity Model
- 3 models in one, 7 perspectives per model
- 10-13 cross-model threads



P3M3® history

- First maturity model developed by Carnegie Mellon Uni in 1980's (s/w eng)
- SEI's Capability Maturity Model (CMM) – now Capability Maturity Model Integration (CMMI) (5-level structures)
- P3M3® v1.0 2005 (UK Govt)
- P3M3® v2.0 2008 (UK Govt)
- P3M3® v3.0 2015 (UK Govt - AXELOS)
- AXELOS (Capita/UK Government owned)
  - AXELOS is a joint venture company, created in 2013 by the Cabinet Office on behalf of Her Majesty's Government (HMG) in the United Kingdom and Capita plc, to manage, develop and grow the Global Best Practice portfolio.
  - AXELOS products include: P3M3®, ITIL®, PRINCE2®, MSP®, P3O®, MoP®, RESILIA®

Treasury's Investor Confidence Ratings (ICR)

- Similar to credit ratings in financial markets
- 2-yearly assessments of the performance of investment-intensive agencies (currently 25)
- Rates agencies "A" (good) to "E" (bad)
- ICR ratings indicate "the *confidence Cabinet and Ministers can have in agencies' ability to realise an investment result*" (incl projects, programmes, portfolios)
- Agencies that receive good ratings may:
  - obtain greater autonomy
  - obtain greater financial delegations
  - be subject to less monitoring and reporting

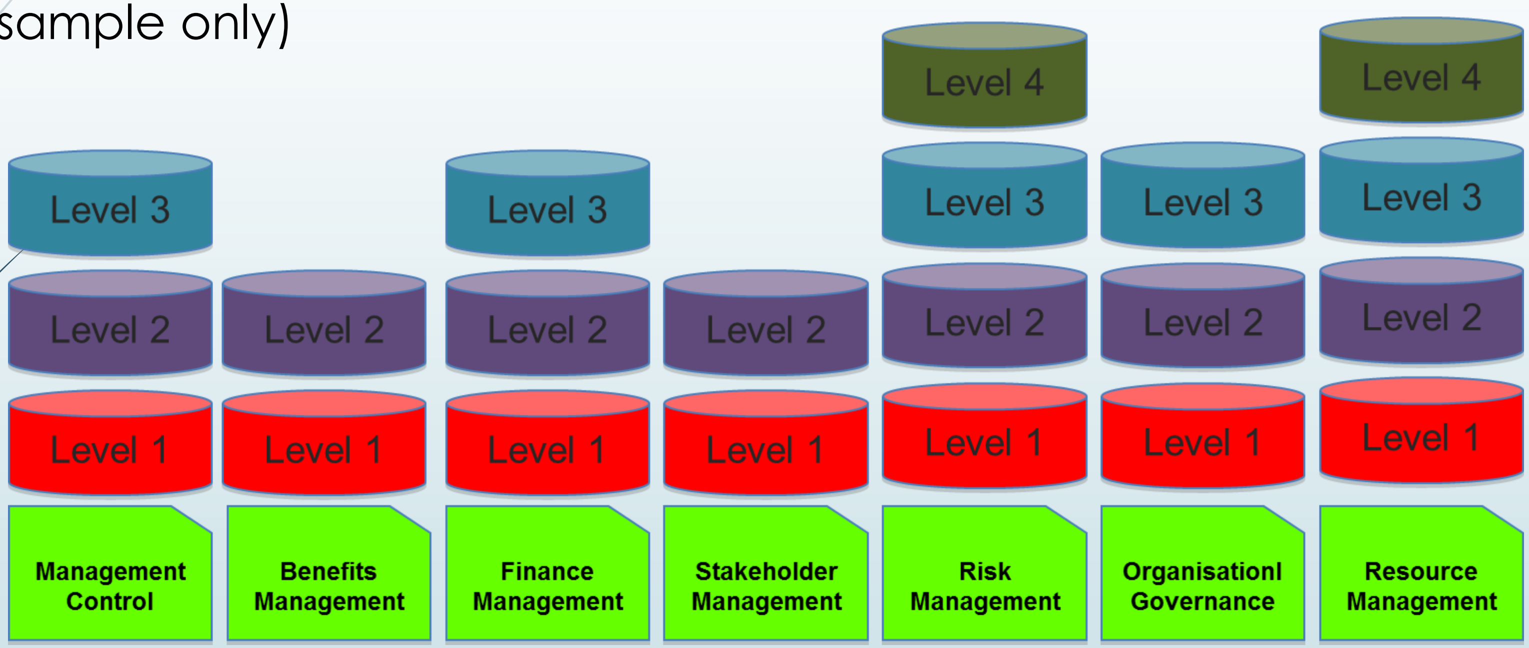
http://www.treasury.govt.nz/statesector/investmentmanagement/review/icr

ICR’s scoring elements

Element	Weight (%)
1. Asset management maturity	15
2. Portfolio, programme and project maturity	15
3. Quality of long term investment plan	10
4. Procurement Capability Index (PCI)	5
5. Organisational change management maturity	10
Total for lead indicators	**55**
6. Benefits delivery performance	20
7. Project delivery performance	10
8. Asset performance	10
9. System performance	5
Total for lag indicators	**45**

P3M3 - 5 scoring levels of scoring

(sample only)



5 - Optimised

4 - Managed

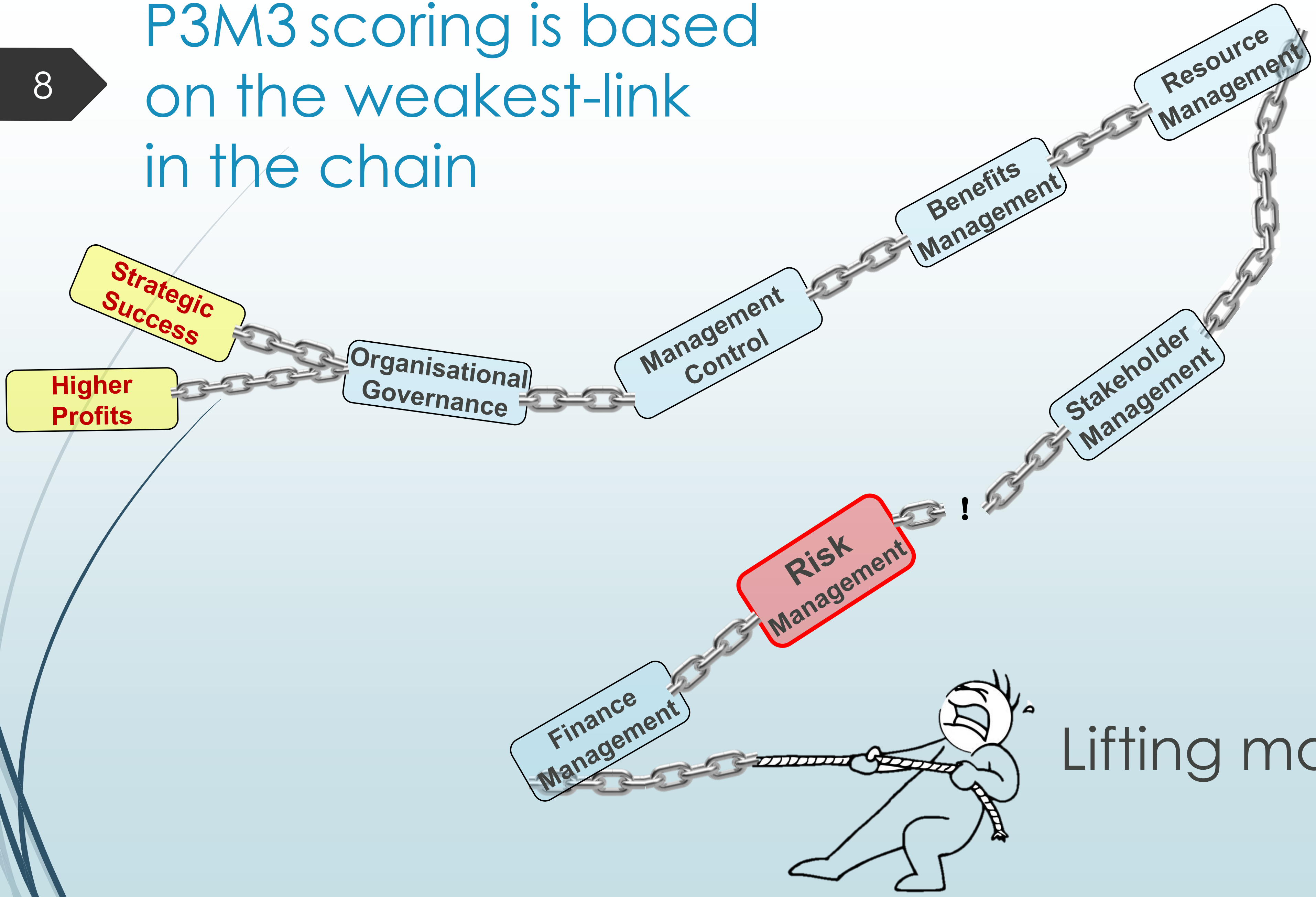
3 - Defined

2 - Repeatable

1 - Aware

Assessment attributes are different for Projects, Programmes, and Portfolio

P3M3 scoring is based on the weakest-link in the chain



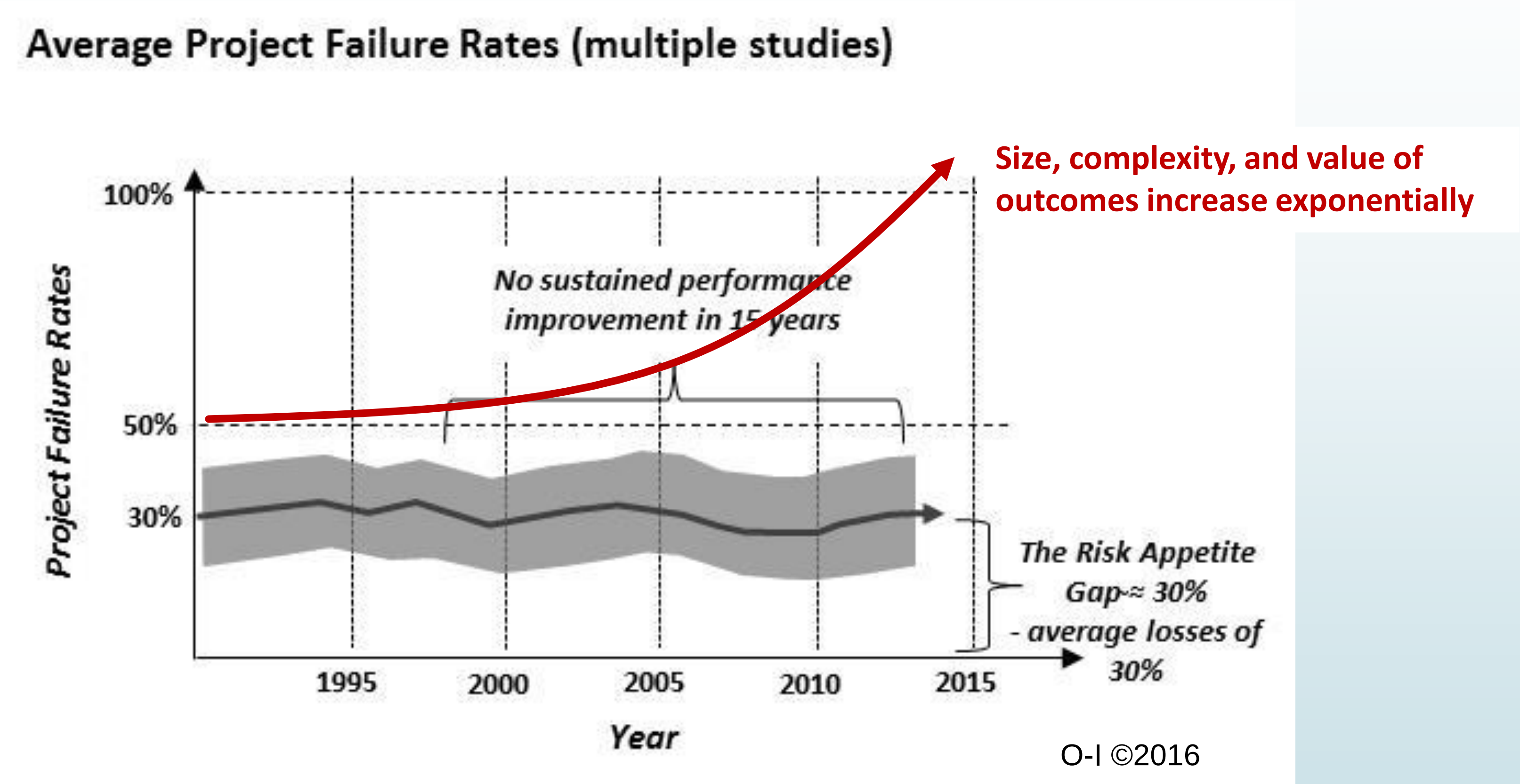
Lifting maturity!

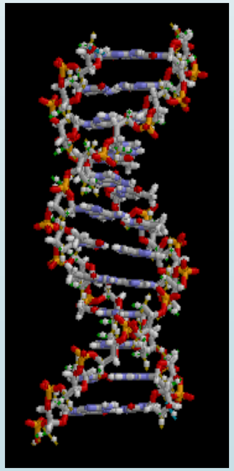
P3M3 uses a weakest link scoring principle

(for correlation with levels of *organisational* risk to be maintained)

- The lowest integer score, of the 7 perspective scores, is your maturity score (i.e. weakest-link scoring must apply) e.g:
  - Organisational Governance = **level-3**
  - Management Control = **level-3**
  - Benefits Management = **level-1**
  - Risk Management = **level-2**
  - Finance Management = **level-3**
  - Stakeholder Management = **level-2**
  - Resources Management = **level-1**
- Your maturity is **level-1**

Why is P3M maturity important?





(PMI, Standish Group, KPMG, PWC, Gartner)

Risk Homeostasis - affects all areas of our lives

"If something makes us feel safer, we take on more risk in compensation"

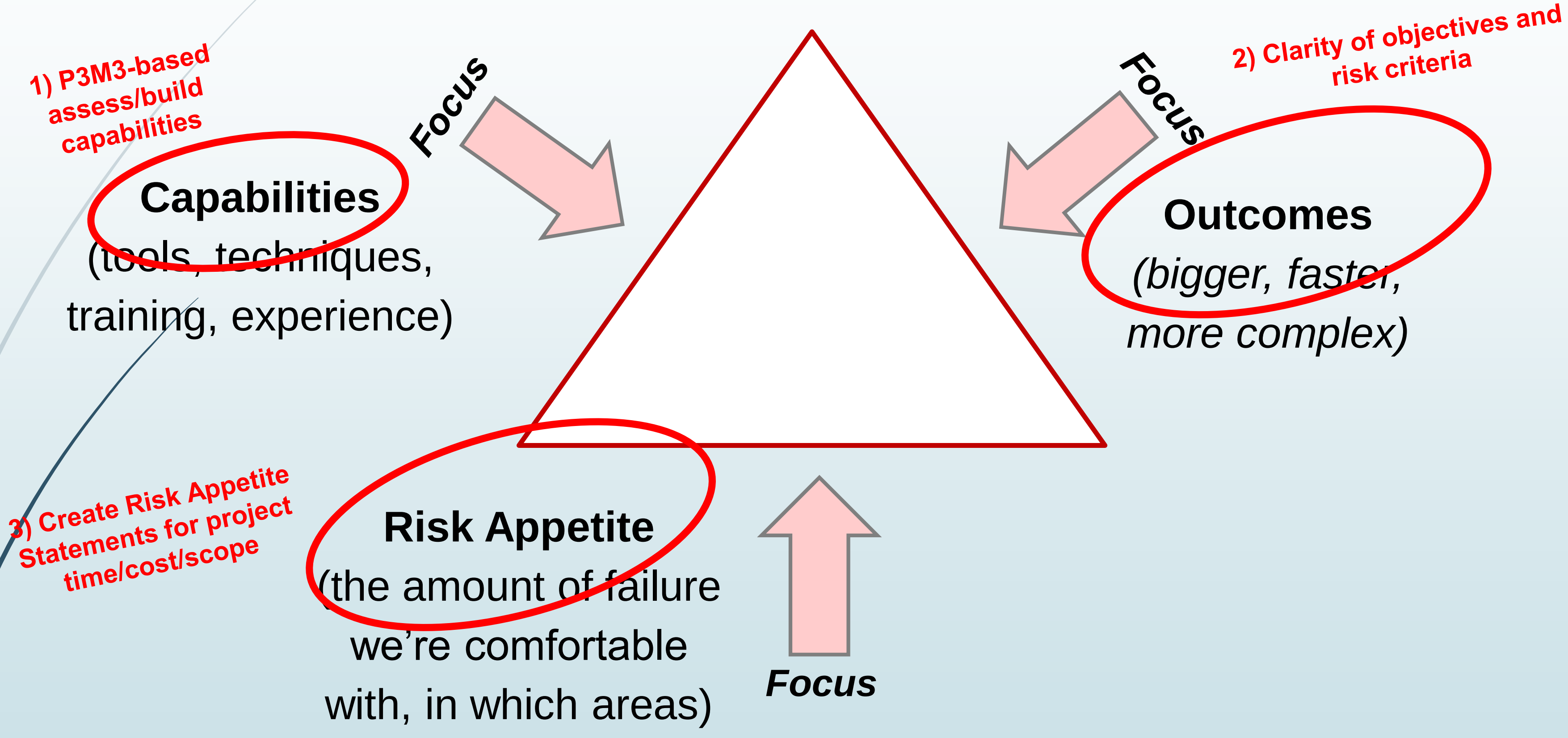
- *Target Risk 3: Risk Homeostasis in Everyday Life* Wilde, Gerald J.S, (2014).

- And of course our projects
- Rather than be safer, we seek to <u>maximise</u> our outcomes
- We must lift our P3M game

P3M3, P3M waste, and strategic failure

- P3M3 scores are a direct measure of organisational investment risk:
  - **Level-1** capabilities are '*ad-hoc*', waste is high, investment risks are high
  - **Level-4** capabilities are '*managed*', waste is low, investment risks are low
- The global P3M3 average is **level-1.5** (!)
- The global average project waste is **30%** (!)
- **44%** of strategic initiatives are reported as unsuccessful due to poor P3M
- **92%** of projects in high mature organisations meet original goals and business intent compared with
- **33%** in low maturity organisations
- Mature organisations waste **28** times less money (*PMI Pulse of the Profession Report 2017*)

The CORA Triangle*
– sustainable improvement in risk management culture



* "Project Management, Denial, and the Death Zone", *Avery, G. M., JRoss Publishing 2016*

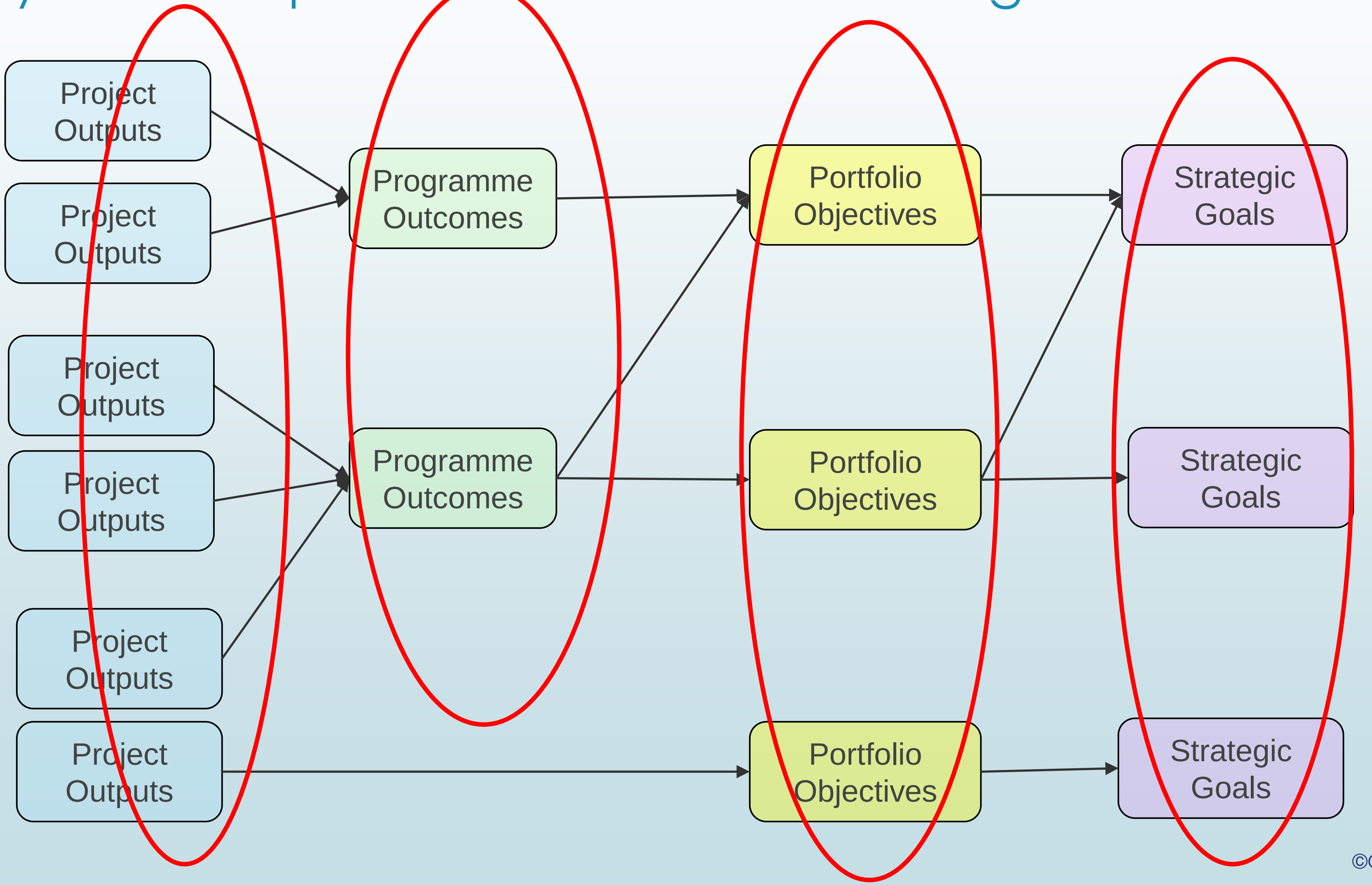
P3M3 assessment types

P3M3 Review Types

1. Self-assessments (not for benchmarking or action planning)
2. Evidence-based, 7-perspective assessments
3. Diagnostic assessments (7 persps, + 11 threads)
4. Certificate assessments

P3M maturity and organisational success

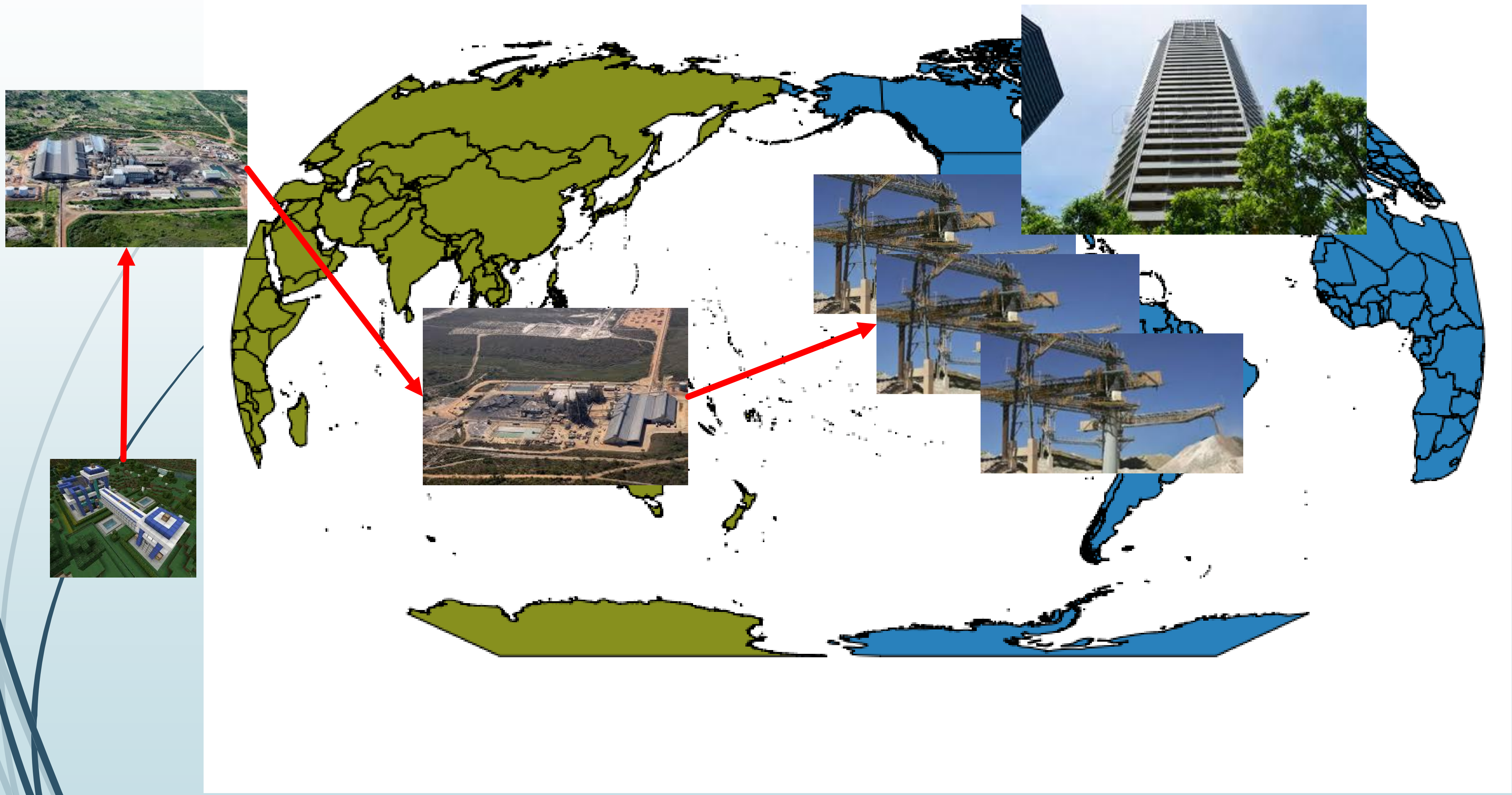
Maturity of P3RM practice is critical to strategic success



The importance of establishing risk context in projects

- A Project is "an organisation"
  - "A temporary organization that is created for the purpose of delivering one of more business products." (PRINCE2)
- A Programme is an organisation
  - "A temporary flexible organization structure created to implement a set of related projects and activities" (PRINCE2)
- Mature risk management requires context to be set for the objectives of your project "organisation" (AS/NZS ISO 31000, ISO 2500, PMBoK)
- Risk management context, criteria, consequences, and likelihoods should all be assessed for the needs of individual projects
- If you are using your organisation's standard corporate consequence and likelihood criteria, you have corporate risk management, **but not project risk management**
- Risk appetite for your project's time, cost, scope parameters must be assessed for each project
- They will not be all equal

Establish the risk context for your objectives and tailor risk criteria to these objectives



Risk Appetite Process Projects

Risk Appetite – Organisational Context
Organisational Risk Appetite Statements (if available)
Organisational key priorities and key risks

Risk Appetite – Project Context
Project Drivers – what's broken that the project *must* fix?
(refer ILM if available)
What's not broken that *mustn't* break?

Determine Project Risk Appetite Areas and Levels
Very-low, Low, Medium, High

Draft Project Risk Appetite Statement
Risk Appetite areas and levels

Proceed to Project Risk Management Workshop
Project Risk Appetite Statements form first part of Project Risk context discussions
Revise Risk Appetite Statements post-workshop

On-going Monitoring of Risk Appetite
Regular Review and Report on deviations from Risk Appetite, especially very low, and high rated areas
Review Risk Appetite Statements as first stage of all on-going Risk Management Workshops

Project RAG ratings must also be context-set

- Project risk management is not corporate risk management!
- Projects are organisations - risk criteria must be tailored
- Time, Cost, Scope RAG thresholds will be different for different projects
- And be different again at the programme and portfolio level
- And be different at the Group, Divisional, and Corporate level.
- Project – Programme - Portfolio risk context relationships are analogous to Business Group – Divisional – Corporate risk context relationships
  - The minimum is to set RAG criteria appropriate to the project against its goals
  - The project's "overall" project RAG rating will be (at minimum) the worst of its T/C/S ratings.
  - Then the project's portfolio rating has to be set, separately, by the portfolio owner
- Their should be risk workshops at the start of the project and then at key milestones

P3M3's different maturity levels

- Level-1 **Awareness** of practice
- Level-2 **Repeatable** practice (within different sub-groups, sub-portfolios)
  - ***Does the organization ensure that each project is run with its own processes and procedures to a minimum <u>specified</u> standard?***
- Level-3 **Defined** practice
  - ***Does the organization have its own <u>centrally</u> controlled project processes and can individual projects <u>flex</u> within these processes to suit the particular project?***
- Level-4 **Managed** practice (performance KPIs are set and managed)
  - *Does the organization obtain and retain specific **measurements** on its project management **performance** and run a quality management organization to better predict future performance?*
- Level-5 **Optimised** practice
  - *Does the organization run **continual process improvement** with proactive problem and technology management for projects in order to improve its ability to **predict** performance over time and **optimize** processes?*
- Level-0 **No Awareness** (!)

Level-2 is not half-way between level-1 and level-3

- They are different types of organisation
- A level-1 organisation wanting to become a level-3 organisation would not target being level-2 as part of its maturity journey.
- Level-3 allows – in fact requires – that projects in different P3M domains (e.g. ICT, Facilities& Property, Policy) have different practices and sub-lifecycles
  - (lvl-3) Does the organization have its own centrally controlled project processes and can individual projects flex within these processes to suit the particular project?
  - Also critically, for the cost and risk profile of individual projects

The model's cross-functional threads

The 10 more common threads (maximum of 13)	
Assurance	Systematic actions supporting quality - independent, regular
Behaviors	The organisation's committmment to success thru good P3M practice
Commercial "Buy"	How products and services used in P3 are commercially acquired
Info and KM	Info repositories, lessons-learned
Infrastructure&Tools	Used to manage perspectives: templates, spreadsheets, PPM tools
Organisation	Competencies management, training, role definitions and RACIs
Planning	Plans for the 7 perspectives
Process	Definitions of task sequences to support a perspectives
Standards	Practices that require conformance
Techniques	Approaches used to support or perform a process
The others are:	
Asset Management	How asset management occurs in projects
Integration	How project practice is aggregated to and informs programme practice
Commercial "Sell"	For organisations whose project's include the commercial transfer of products and servcies

P3M3 Risk Management

- expected attributes level-3

- Assurance
  - *Risk management assurance is carried out to a central approach including the dissemination of recommendations to a central group* ***(plans, reviews?)***
- Behaviours
  - *Project leaders show consistent* ***support*** *for the organization's approach to project risk management*
- Commercial buyer
  - *Projects identify and manage* ***risks related to supplier performance*** *based on a centrally defined and consistently deployed approach*
- Information and Knowledge Management
  - *Projects consistently use centrally defined approaches to manage risk management related information and knowledge* ***(filing, reports, LL?)***
- Infrastructure and tools
  - *There are centrally deployed tools for risk management that are consistently used by projects.* ***(criteria matrices; registers; risk aggregation)***

P3M3 Risk Management

- expected attributes level-3, cont:

- Organisation
  - *The organization has a centrally defined approach to developing skills to meet defined **competencies** and responsibilities in risk management (**training**!)*
- Planning
  - *The organization has a centrally defined approach to project risk management planning that has been consistently deployed (**plans, context, workshops**, …)*
- Processes
  - *The organization has centrally deployed project management processes to: **identify** risk; **analyse** risk; manage risk; review risk*
- Standards
  - *The organization has centrally defined standards for project risk management that have been **consistently** deployed*
- Techniques
  - *The organization has a set of centrally defined techniques that are consistently deployed to enable risk management effectiveness (e.g: **appetite**, **criteria**, quantification, aggregation…)*

Diagnostic model scoring

Pj BENEFITS MANAGEMENT					
Certificate score =	**2**				
Decimal sccore =	**2.7**				
Thread	**L1**	**L2**	**L3**	**L4**	**L5**
Assurance					
Behaviors					
Commercial "Buy"					
Info and KM					
Infrastructure&Tools					
Organisation					
Planning					
Process					
Standards					
Techniques					

To score a level, 85% of the threads in a level must be present

Cells are scored Rarely=0, Partially = 0.5, Fully=1

If you fall from level-3, you will not usually caught by level-2…

Pj BENEFITS MANAGEMENT					
Certificate score =	**1**				
Decimal sccore =	**2.5**				
Thread	**L1**	**L2**	**L3**	**L4**	**L5**
Assurance					
Behaviors					
Commercial "Buy"					
Info and KM					
Infrastructure&Tools					
Organisation					
Planning					
Process					
Standards					
Techniques					
To score a level, 85% of the threads in a level must be present					
Cells are scored Rarely=0, Partially = 0.5, Fully=1					

Diagnostic tool decimal scores

- are a great pointer for areas of capability risk
- are a measure of work done
- are <u>not</u> a measure of maturity
- are <u>not</u> benchmarkable or base-lineable

Pj BENEFITS MANAGEMENT					
Certificate score =	2				
Decimal sccore =	2.0				
Thread	**L1**	**L2**	**L3**	**L4**	**L5**
Assurance					
Behaviors					
Commercial "Buy"					
Info and KM					
Infrastructure&Tools					
Organisation					
Planning					
Process					
Standards					
Techniques					

Pj BENEFITS MANAGEMENT					
Certificate score =	0				
Decimal sccore =	2.0				
Thread	**L1**	**L2**	**L3**	**L4**	**L5**
Assurance					
Behaviors					
Commercial "Buy"					
Info and KM					
Infrastructure&Tools					
Organisation					
Planning					
Process					
Standards					
Techniques					

Pj BENEFITS MANAGEMENT					
Certificate score =	0				
Decimal sccore =	2.0				
Thread	**L1**	**L2**	**L3**	**L4**	**L5**
Assurance					
Behaviors					
Commercial "Buy"					
Info and KM					
Infrastructure&Tools					
Organisation					
Planning					
Process					
Standards					
Techniques					

P3M3 Self Assessments – not benchmarkable

- Useful for understanding areas of weakness and strength
- Not suitable for base-lining, bench-marking, or identifying your official level (due to high variability and optimism scoring)
- Includes self-assessments using the diagnostic model (!)
- *"It is important to note that the P3M3 diagnostic and P3M3 certified assessments are commonly 0.5 to 1.0 lower in maturity level than the P3M3 self-assessment data published in Axelos data sets."* (Axelos 2017)
- **1 or 2 days** of evidence review added to a SA review does not mitigate this risk!
- A 3-model diagnostic assessment requires **3-4 weeks** of evidence assessment and interviews
  - *(more in larger organisations, or if there are sub-PMOs or sub-portfolios using different practices e.g. ICT, Construction, Policy)*

Common P3M3 scoring mistakes

- Self-assessment optimism bias (0.5 to 1.0 or more)
- Averaging perspectives to get a model score (instead of taking the lowest perspectives)
- Averaging model scores to get an organisational score (no correlation)
- Averaging portfolio scores to get an organisational score (error is one whole-level)
- Subtracting P3M3 scores from an artificial target score to create a measure of organisational risk
  - **The P3M3 score *IS* the measure of organisational risk**
  - If there was a target to aim for, it would be **level-4** or level-5 for all organisations (level-3 is the hard one – after level-3 the costs reduce!)
  - It is a myth that level-4 and 5 are the preserve of high-tech industries

P3M3 – the risks when poorly done!

- Templates focus – very common – one of the quicker ways to fail
- "Do it in 2 months" – another quick way to fail(!)
  - (18-24 months per level is the minimum)
- Failure to understand that its culture change
- Understanding that its culture change but leadership not involved(!)
- Focus on the scores and not the organisational benefits (why do it?)
- Inflating scores (it's a time-bomb!) – we are seeing a lot this
  - You won't get the funding you need to strengthen your practice further
  - Level-4, where high returns start to happen, will not happen
  - Leaders will think their P3M investments are safe when they're not
  - The focus stays shallow, on scores, and not on business benefits or culture change
  - High project waste continues
  - P3M3 benchmarking databases filling with inflated scores
  - The P3M3 brand gets blamed when the returns don't happen!
  - If the journey is deemed "finished" the PMO is at high risk of disestablishment and maturity gains will unravel (much written on this)

P3M3 improvement – critical elements

- Do you have project team, a steering committee, and a new-practices reference group?
- Do you have a business case, defined business problems you are trying to solve, KPIs of success, and a budget?
- Do you have a cost-risk-complexity-based practices-tailoring framework
  - (a one-pager that specifies criteria for exempting low-risk projects from the practice requirements of high-risk projects)
- Do you have a project manager, a project plan, and 5 streams of work that provide balance?
- Do you understand the benefits, costs, resources, and risks for a PPM tool?
- Do you have, or have plans to implement, a PM Capabilities Management Framework, and appropriate training programme?
- Do you have a modules-based (e.g. 2 hour units) training framework
- **And sorry, you need a PMO (just call it something different!)**

Managing balance in maturity improvement

Balance across the following is key

Processes	Tools	People	Information	Culture
↓	↓	↓	↓	↓
Tailor as needed	Tools support reporting	Selection and Training	Reports management	C-level leadership

The absence (or excess) of one will undermine the rest

Conclusions

- P3M3 is high value for understanding areas of strategy and P3M (change) risk
- P3M3 scores provide reliable indicators of organisational P3M investment risk (but only when correctly applied)
- Incorrect use of P3M3 significantly increases investor uncertainty
- *Artificially inflating P3M3 scores (through self-assessments or averaging) creates significant risks to both the organisation, to P3M3 (the brand) and to P3M3-strengthening programmes*
- ***Like all sustainable risk reduction programmes, P3M3-based improvement must be managed as culture change.***

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