KPMG

Agile project delivery

How to increase project success in a hybrid world?

2017 survey on project and programme management

Preface

Two third of projects are not successful

Effective project and programme management is key to realising an organisation's strategy. Over the years delivering these projects has been challenging, as evidenced in many surveys, including KPMG's 2012 Project and programme management survey. The average success rate for (IT) projects in the market appears to be around one in three.

Is agile the appropriate instrument to increase project success?

As the volatility of our business environment increases, organisations are looking at ways to respond to these changes more effectively. One of the responses has been the introduction of agile methods. This approach is deemed more suitable to uncertainty and changing circumstances than the traditional stage gated approaches. Over the past years, agile methods for software development have been embraced by many organisations. It is claimed that agile radically improves the success rate of projects. On the other hand, adoption does not always seem easy and agile is probably not a silver bullet. The agile approach also has an impact in the area of project and programme management, making it a topic for both IT and business. Therefore we will approach it from a business perspective and offer some key insights into how to get the most business value from agile project delivery.

KPMG's 2017 agile project delivery survey

In our survey, we queried 62 organisations in both the Dutch and Belgian markets on their adoption of agile project delivery as well as their struggles and success factors with it. This publication gives an overview of the outcomes of the survey, as well as some key insights on the transition experienced by the respondents.

Many organisations have embarked on the agile journey; a journey that will lead them somewhere they do not yet fully understand. For example, some foresee a hybrid future where both traditional and agile methods co-exist, others anticipate a future with only autonomous, multidisciplinary teams delivering their change initiatives.

Whichever it will be, we have no doubt that agile is transforming the field of project delivery and will fundamentally change the way the business and IT work together to successfully achieve change. We expect this publication to spark some thinking on your own journey, and we hope that it will be a starting point for a meaningful conversation.

Sander van der Meijs   Jos van Brummelen

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Agile is here to stay

We are living in a rapidly changing environment in which the customer has extensive demands. To succeed in satisfying these demands, organisations are forced to respond extremely quickly to new developments in the market.

KPMG queried 62 organisations in The Netherlands and Belgium on their adoption of agile to enable faster delivery of change. We have summarised our key findings below.

58%

Higher business agility is the main driver for moving towards agile
Organisations have come to the realisation that a new working method and a different mindset is required. 58% of organisations consider 'agile' as one of the key answers to increase their ability to deliver continuous change.

76%

Agile will be the new 'normal' for projects
While 74% of the respondents claimed that they already apply agile for some projects, they indicate they still predominantly use a waterfall approach. However, 76% of the respondents expect that within three years agile projects will outnumber traditional projects.

85%

Waterfall will survive as well
However, traditional project management will not die immediately. There is a strong belief, shared by 85% of the respondents, that in the coming years most organisations will operate in a hybrid environment.

48%

Not in control
Almost half of organisations state that management feels less in control of projects when using agile. 'Control' is one of the top three challenges encountered by respondents during the transition towards agile project management.

76% Consider organisational maturity as a top three challenge in the agile transition

63% Admit that the maturity of their agile project management is significantly lower than their traditional project management

> The biggest challenge will be to master the agile and traditional philosophies in parallel.

> Some domains seem to be more suitable for agile project management than others, for instance marketing, sales and 'IT for IT'.

> Prioritising is based on business value which means that the business should clearly articulate what functionality would be of most value.

> Waterfall has been used for decades, so it is not surprising that organisations struggle with incorporating agile practices.

> Agile project management has a significant impact on how the project portfolio is managed. Companies should also focus on how to incorporate agile on portfolio level.

Curious to read KPMG's view on the shift to agile?

Is it impossible to gain control of an agile project?

Will the role of the project manager disappear?

How do I manage the benefits of my agile initiatives?

Should we adapt the way we do project portfolio management?

Read more on this in the key insights section.

Agile started in IT and is now also adopted by the business

The customer demands a new way of working

Nowadays the terms 'scrum master', 'product owner', 'sprint' and even 'tribes', 'squads' and 'guilds' are commonly used in organisations, especially when it comes to software development. It could be said that the use of agile is already the 'new normal' and is preferred over the more traditional approach (or waterfall, both terms are used interchangeably in this report). Although agile frameworks such as scrum and XP (eXtreme Programming) were already used successfully in the mid-1990s, their use really gained in popularity at the beginning of the 21st century.

We note two main reasons for this rise in popularity:

1. **Inappropriate project delivery** - In general software quality was not always up to standard and projects were challenged to deliver better results across the board. The use of agile was in that sense a reaction to traditional approaches that led to the establishment of the 'Agile manifesto' in 2001;

2. **Increased business volatility** - Increasing customer demands and more competitive markets across the globe created a need for new business models and new ways of engaging with customers. It is crucial to support ways of working that foster better business involvement as well as a higher delivery frequency to be able to stay ahead of the game. In most businesses IT is no longer a necessary evil, but rather a critical success factor for companies to stay in business. Agile methods are more responsive to these changes than traditional methods.

It can be said that agile is already mainstream in software development, but the use of agile practices is also increasing in other areas. Examples include marketing, sales and even in education. Working in small self-organising teams that are not primarily process-driven, but that mainly focus on providing tangible results at a high pace of delivery, is seen as a better formula for achieving project success.

Project delivery concepts must adapt to the agile world

Applying agile concepts enables better co-creation between business and IT to work shoulder to shoulder on projects and programmes. The key changes we notice in agile projects are:

1. **Structure** - Project and programmes must be structured differently. Breaking down typical silos, bottom-up management and working with small(er) self-organising teams are just some examples that have an influence on the way projects and programmes are set up;

2. **Business value** - Measuring project outcomes will need to move from 'process driven' to 'value driven'. This means that outcomes can be and need to be measured differently;

3. **Empowerment and competences** - Agile methods promote empowerment and self-organisation. The current roles and responsibilities of project and programme managers should evolve towards being more facilitative rather than directive. This also requires different competences from the teams.
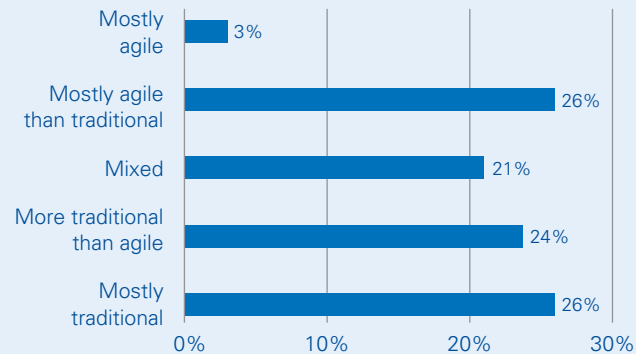
You may read the text above and view it as being more or less a theoretical hypothesis; but the question you should be asking is how the Dutch and Belgian markets are actually reacting to this trend towards agile. On the following pages we will deep dive into the results of our survey and comment on the implications of agile project and programme management methods.

Most organisations are transitioning towards agile project delivery

74% of organisations use agile to at least some extent

Mostly agile	3%
Mostly agile than traditional	26%
Mixed	21%
More traditional than agile	24%
Mostly traditional	26%

0%   10%   20%   30%

Note: How are projects currently managed within your organisation?

Most organisations already use agile

Let us be clear: we are in the midst of the journey towards agile project delivery. Almost all the organisations that participated in our survey stated that they already use agile methods to a certain extent. The conversations we had with organisations focused on where and how they could use agile, rather than whether or not they should use it at all.

A staggering one-third of respondents claimed to work more with agile than traditional approaches, although only a very small group has adopted agile project management for all of their projects. That small group is entirely convinced that the advantages of agile project management totally outweigh the advantages of traditional project management.

Nearly all the organisations surveyed combine agile and traditional project delivery concepts. We call this 'hybrid' project delivery.

Only a few of the organisations that responded to the survey have an entirely 'traditional-only' project base. Our survey confirms that most organisations are on an agile journey and are currently operating somewhere in the middle, meaning that they are in transition from 'traditionally organised' to 'fully agile' project delivery. We call this a 'hybrid' form of project delivery where projects and programmes still use a combination of traditional project management methods and agile ways of working (see example).

Agile is most applied in projects for marketing, sales and IT
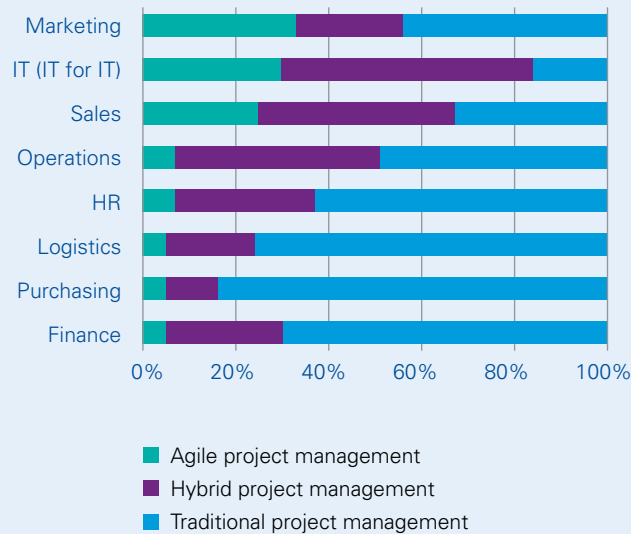
Note: What is the predominant project management approach in the following business areas in your organisation?

Agile adoption varies per domain

Agile is not used to the same extent in all areas of the business. Agile has penetrated best in the domains of marketing, sales and 'IT for IT'. A possible explanation for this may be that these domains are highly dynamic, with more immediate customer demands and a higher level of uncertainty than other areas of a business. Especially in e-commerce, a lot of experimentation and A/B testing takes place, for which agile methods are better suited than traditional methods.

The high agile/hybrid score for the 'IT for IT' domain is also interesting. As one of the respondents pointed out, this might be a good example of "eating your own dogfood".

The other domains still use traditional approaches to a large extent, but also have a significant proportion of hybrid project management. A possible explanation for this might be the use of ERP systems in these domains (e.g. HR, finance, operations) as it appears that ERP projects often (still) follow a waterfall approach. It is also possible that organisations might still be reluctant to use agile in areas that are business critical (operations) or in relatively stable domains (e.g. finance) where they do not yet perceive any additional benefit from agile methods.

Hybrid: from co-existing methods to water-scrum-fall

Organisations take different routes to obtain benefits from agile practices. Some have started piloting agile for certain projects or within certain domains, often digital and marketing. Others have taken the route of, for example, water-scrum-fall. Essentially a combination of both, where the overall project phases follow a waterfall to get to an approved design. Agile methodologies are then used during the development phase, concluding with a period for integration and testing.

The core of a successful agile transition is:
1. Ownership and responsibility of the teams
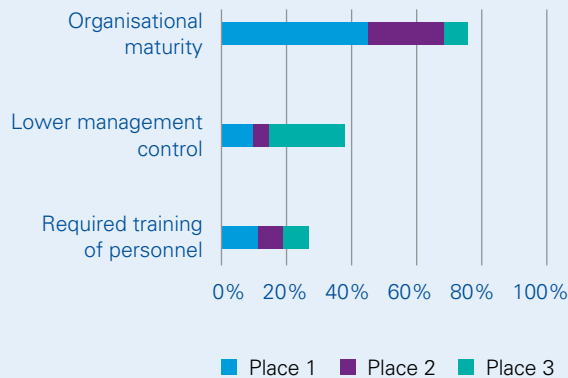2. Inspiration and motivation by senior management
3. Empowerment

Lead for agile transition team at Insurer

# Organisational maturity hinders the adoption of agile

Organisational maturity and lower management control are the main challenges in the agile transition

- ■ Place 1
- ■ Place 2
- ■ Place 3

Note: What are the top 3 main challenges you have encountered in shifting towards agile project management?

Agile project management maturity is significantly lower than traditional project management

- ■ Agile project management
- ■ Traditional project management
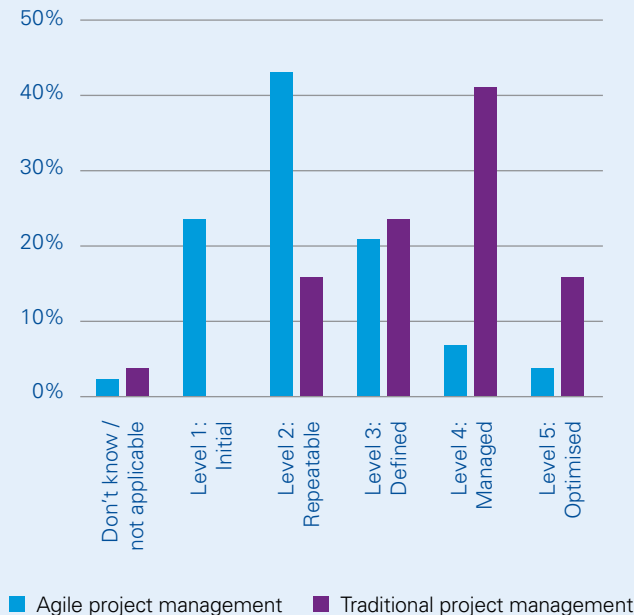
Note: How mature do you consider the following management processes within your organisation?

Main challenge: Willing and able to implement agile?

Organisational maturity is identified as the most important challenge organisations encounter in their move towards agile. Lower management control and required training of personnel come in as second and third. These all point to the challenge of adopting a whole new way of working, requiring a change in mindset and culture. The key question seems to be: are all the stakeholders willing and able to implement agile?

Project management maturity

As you would expect, organisations estimate the maturity of their agile project management efforts significantly lower than their traditional methods they have been using for years. Although agile is gaining in popularity year-by-year, organisations still struggle with incorporating the actual practices.

Another factor to take into consideration here is that traditional project management methods are fully aligned with management practices in most organisations and with the way most people within these organisations have been educated over the past few decades.

PRINCE2 and Scrum are the most-used methods for project delivery
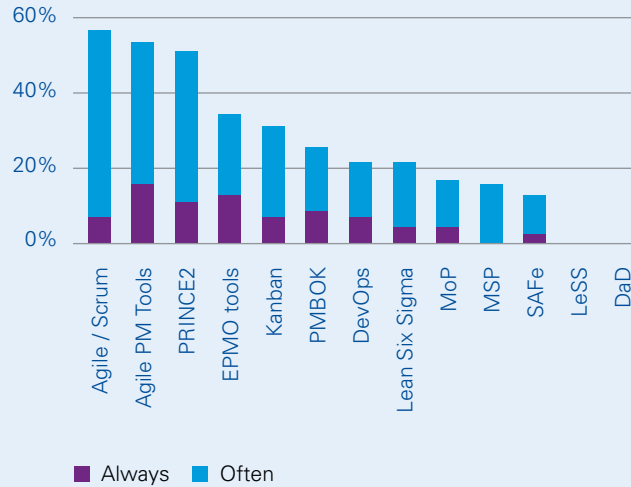
Note: To what extent does your organisation currently use the following project management practices and tools?

Agile practices are based on 'autonomy' and 'trust over control', thus requiring a particular mindset and culture to function effectively. This means that adopting agile is more difficult than just implementing a new tool or methodology, as it breaks with ingrained beliefs.

Tooling and methodology

Agile/scrum and agile tools were mentioned by more than half of respondents as being used always or often. Use of traditional project management tools (EPMO) is relatively low. This indicates the rapid adoption of agile project management tools: although agile is still at its early adoption step, the tooling for agile is already used more than the tooling for traditional approach ever was.

Interestingly, the use of other frameworks to coordinate on programme or portfolio level and the use of agile scaling frameworks are far lower.

> It is not the strongest of the species that survives but the most adaptable to change
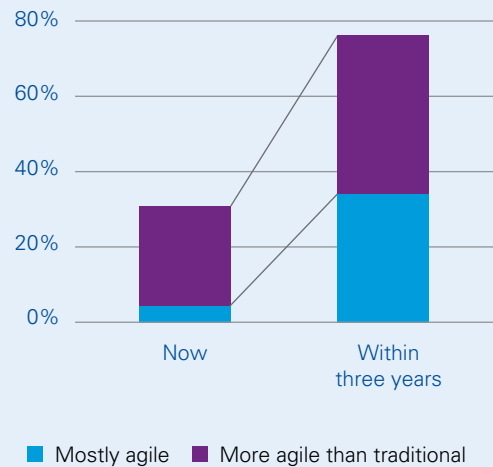>
> Charles Darwin

> Many people think they know how to run agile however few of them actually do
>
> Anonymous comment

Agile journey: the road ahead

Within three years, 76% of organisations expect to work more agile than traditional in their project management

Legend:
- Mostly agile
- More agile than traditional

X-axis: Now | Within three years

Note: How are your projects currently managed and how do you expect how that will be within three years

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Where are we going?

85% of respondents believe that project management will be executed in a hybrid environment in the coming years. This means we will continue down the road of adopting agile, although opinions are divided as to how far the journey will take us. On the question of whether organisations will be working entirely with agile within five years from now, a little over a third (strongly) agreed, whereas 31% (strongly) disagreed and 31% neither agreed nor disagreed. The results therefore were what you could call a tie.

When asked where their own organisation will be in three years, 76% responded that they will be working more with an agile than a traditional approach. This represents a big change from the current situation, as shown in the graph on the right.

We can assume based on this response that one thing is for sure: agile is here to stay, and the coming years will be a period of transition. Although the speed of adoption might differ per business function.

The CEO perspective

Selected key findings from KPMG's '2016 Global CEO Outlook' survey with regard to CEO expectations for the next three years:

- 41% anticipate that their company will be significantly transformed;

- Collaborative growth is how 58% of CEOs intend to drive shareholder value for the next 3 years;

- Fostering innovation is one of the top strategic priorities;

- 77% of the CEOs are concerned about whether their organisation is keeping up with new technologies;

- 65% are concerned that new entrants are disrupting their business models and more than half of CEOs believe that their company is not disrupting their industry's business models enough.

Taking it a step further; where might this lead us?
Thus far we mainly looked at agile in terms of project and programme management. However, this development is happening in the broader context of developments within IT and business such as:

- **DevOps & continuous delivery –** Some IT organisations are taking agile one step further, through continuous delivery and full integration of development and IT operations within agile teams, under the telling name 'DevOps';

- **SaaS and cloud –** More and more software is being delivered as a service through the cloud, using elaborate ecosystems of supplemental functionality. Also, ERP vendors are looking at how to deliver their solutions as SaaS solutions and use more agile implementation approaches. Besides using the cloud for SaaS solutions, organisations are also increasingly looking at hosting and infrastructure solutions in the cloud. All in all this allows faster deployment and more flexibility. And as some of our respondents noted, it can empower the business and make it less dependent on IT once the base has been set up;

- **Impact of digital –** Many organisations are experimenting with and implementing new technologies under the digital umbrella. Examples are big data, the internet of things, digital labour/AI. These projects share a common characteristic i.e. a higher uncertainty about project outcomes and less familiarity with the (ever-evolving) technology;

- **Need for agility and innovation -** CEOs expect a lot of change in the coming three years that will affect their companies (see some of their feedback in the box on the left). This volatile and dynamic business context drives an ever-increasing need for innovation and agility and pushes organisations to adapt and change at an ever-increasing pace.
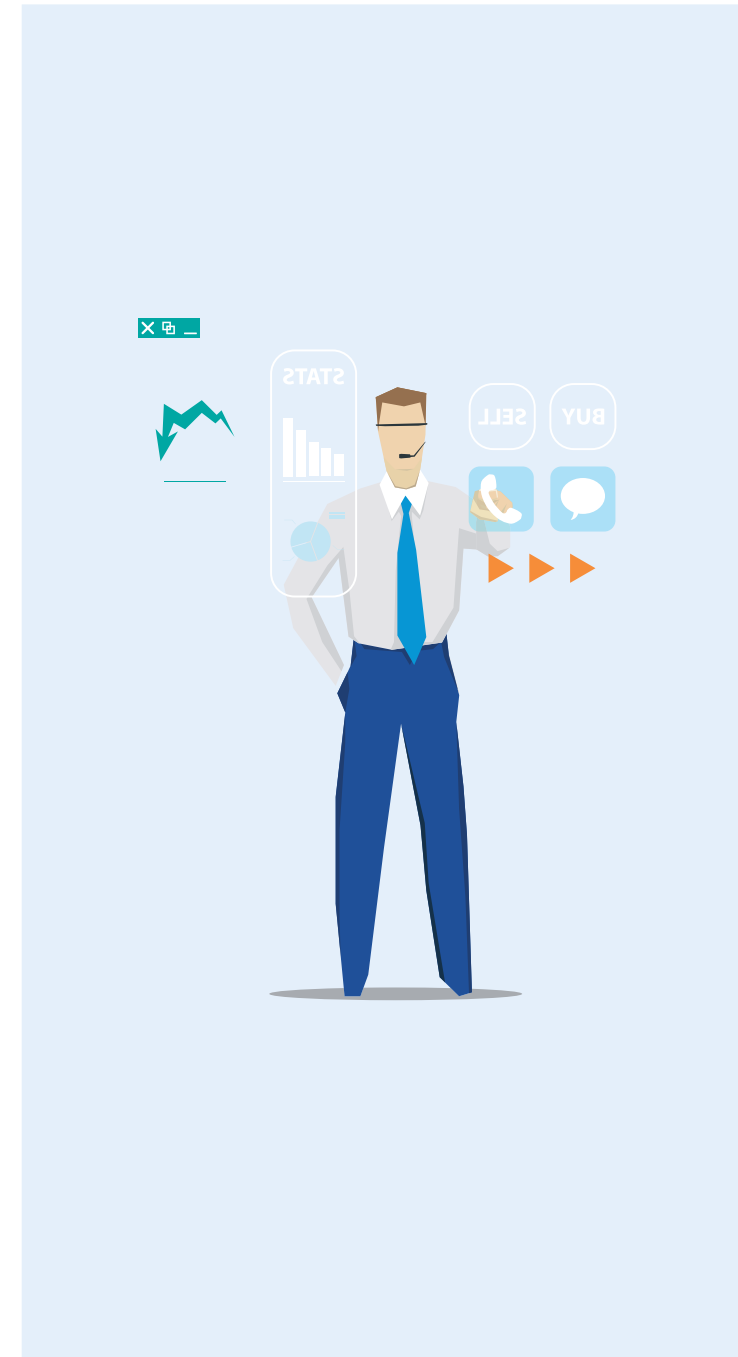
Four key insights for the road ahead

Looking at the outcomes of the survey and the developments outlined in the previous chapter, we distilled four key insights to help you to increase the success rate of change initiatives in your organisation in the coming years:

1. Being in control of agile projects

Agile is a different and often (relatively) new approach for organisations. Many new adopters fear or experience having less control over projects. To be successful, some changes are required in the way we organise for success;

2. Changing role of the project manager

Although some of our respondents believe that the project manager role will cease to exist, we believe that it can continue to be important, especially in larger projects and larger organisations. However, the level of added value largely depends on the project manager's ability to adapt to the new, agile style;

3. Managing for value

We all know that for years projects have not delivered on expectations. Agile speeds up the feedback loop and allows the business to start realising benefits earlier and to actually influence project delivery and therefore maximise value;

4. Adapting project portfolio management

Agile changes the way individual projects are delivered, but its different approach also has an impact on the way decisions about the entire project portfolio and funding are made. Changing this approach will be a key enabler for increasing the success rate of change initiatives.

1. Being in control of agile projects

Agile differs fundamentally from traditional, waterfall methods and it is (relatively) new to many organisations. Almost half of respondents indicated that management feels less in control of projects when using agile. Loss of control was also mentioned as one of the top three challenges encountered in the transition towards agile project management.

However, the other half of the participants did not see it that way. In fact a picture emerged from our interviews of agile giving even more control than traditional project management methods.

15%
48%
37%
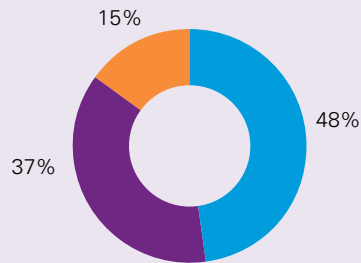
- (strongly) Agreed with statement on less control
- (strongly) Disagreed with statement on less control
- Neither agreed nor disagreed

Our Vision

Agile and waterfall project management are two fundamentally different philosophies. Traditional methods fix the scope and use a 'command and control' approach to manage quality, money and time towards achieving the project objectives. For many in leadership positions, this is the management style they grew up with in their education and their careers. Agile sets the expectations in terms of time, budget and quality and then gives the project team autonomy to achieve their objectives. The scope cannot be fully predicted upfront. However, as many of the respondents to our survey commented, the traditional methods only gave a semblance of control, especially in projects in a dynamic environment and with a lot of uncertainty, such as the online marketing and sales domains.

This difference in mindset might also explain why organisational maturity was identified as the major challenge in moving towards agile project management.

> ❞
> Management should let go of the 'command and control' mindset
>
> Lead for agile transition team at Insurer

> ❞
> Our projects are executed in an agile way: we don't know exactly when we are going to deliver what... Try to explain that to the mayor and city council.
>
> Program director for large municipality

To let it flow, you should let it go... since this fundamentally different approach requires a change in mindset for leadership in its approach to leading projects. The fact that agile makes uncertainty explicit could lead to a management reaction of adding extra layers of control. It is like learning to ski: at a certain point you have to let go, which is scary at first, but in the end will give you more control in return. This means that you have to let go of some of the traditional (process) KPIs and instead learn to focus on a different KPI set that measures the (value of) outcomes and the team performance and dynamics.

...and organise for success. Another topic where people often feel less in control is how to embed certain requirements. Typical examples are security, compliance or internal control requirements. In traditional methods, the responsible departments would review design documents and then test whether the necessary controls were actually included. In agile projects, because not all the

> " In traditional projects, it occurred that the business introduced last-minute changes because they were only involved in the UAT. In agile projects the business is involved throughout the project, this increases the control over change and allows me to intervene earlier in the project.
>
> Head of IT for Europe,
> FMCG company

controls are defined upfront this way of working is no longer valid. These departments have to be more actively involved during the project to ensure that the whole team knows what it is trying to achieve and can ensure that it will be compliant. (e.g. explain control objective instead of individual controls during the sprintplanning)

Combining both methods might be most difficult.
Most participants indicated that they are adopting agile methods, and that currently both methods coexist within their organisations. This might be the most challenging state to be in, as you have to master both philosophies, whereas most organisations often struggled with project management maturity. Also, you have to be able to successfully coalesce at interfaces between projects. This coalescence will be the real challenge in the coming years.

What can you do?

'Go big or go home'

This start-up scene mantra basically means: 'Play to win or don't get in the game'. This also goes for implementing agile, in that if you decide on using agile, you should really stick to that approach and not try it half-heartedly. As it is a very different philosophy from the traditional command-and-control one, the following tips will help you to really adopt this new way of working and to be more in control:

- **Decide on the areas in which to use agile.** Or, if it is your first foray, start with a pilot. The best area to choose would be one where agile could add the most value, for example a project where the scope is not yet fully clear and a lot of (internal) customer interaction would be needed to build the solution;
- **Train the people involved.** Make sure that everyone who has a role in the project fully understands the agile principles, ways of working and their own role. This is important not only for your IT development teams, but also for product owners, decision makers and other stakeholders in the business;
- **Stick to the principles.** People often have the reflex of falling back on ingrained behaviours when they are under pressure. So when the going gets tough, stick to the agile playbook. Do not try to impose rules or actions that worked well in traditional project management, as they

handled the devil's triangle of time, cost and scope very differently. Doing so would probably backfire by exacerbating the sense of loss of control and would probably send the message to the people involved that 'we don't really do agile'. Try instead to take control using the agile methods of steering, by managing through the backlog and based on process KPIs;

- **Transparency on all levels.** Feedback loops are a cornerstone of agile methods. This requires measurements to get the transparency required for meaningful conversations on progress and performance. Setting the right measurements (KPIs) also helps with clearly setting and guiding team goals;
- **Evaluate often.** Agile has a lot of feedback and evaluation loops, such as retrospectives. Furthermore it is important to ensure that the daily stand-up is really used to remove issues that hinder the team (impediments). Informal discussions about progress and direct and honest feedback on how well people play their roles should also be part of the daily routine, especially at the outset;
- **Tailor the approach.** When using agile, keep a keen eye out for what works and what doesn't in your organisation. Especially when scaling the approach, it is unwise to just copy and implement without tailoring the approach to what works in the organisation. Just as you should never simply implement the whole PRINCE2 manual as-is in your organisation, without tailoring, you also cannot just implement the Spotify model without tailoring.

A final piece of advice, again with a nod to the start-up community: think big, start small but don't scale too fast.

2. Changing role of the project manager

One of the important results from this survey is the fact that in most organisations, projects are currently managed using a combination of project management methodologies and agile frameworks. The way in which projects are managed in a traditional versus an agile world is quite different and has an impact on the role of the project manager.

Adopting agile in organisations usually impacts the role and activities of project managers. Although some strong agile believers maintain that the project manager role will cease to exist, we still foresee a role for the project manager in the near future, especially in hybrid environments where a mix of traditional and agile projects exist.

Our Vision

Does agile make the role of the project manager redundant?

It is not easy to provide a straightforward answer to the above question as there are such big differences in the complexity and scale of projects. At the simplest level, we might consider a small, co-located agile team in a manageable project environment (e.g. with only a few stakeholders). In this case almost all of the typical project management responsibilities can be taken on by the existing agile roles such as a scrum master or a product owner and there is less value in having a separate project manager role. However, projects in most organisations are not that simple in nature and are very often of higher complexity. For example when multiple agile teams are working on the same project, the need for coordination increases significantly. That is why projects with multiple agile teams (known as 'agile at scale') always introduce additional roles to add an additional layer of coordination. Some factors that influence the decision to add an agile project manager are summarised on the next page.

Aspects that might need a project managers' involvement

Even in complex environments where teams are performing at a high level of maturity, there is more to managing an agile project than being a servant leader, coaching teams. There are several good examples where adding a project manager can be of value,

without compromising agile values. Below are some examples:

- **At the start of a project:** When projects need to be setup (even before the 'zero iteration' of an agile team) there is work to be done, e.g. writing a business case, negotiating project budget and contract terms, working out governance and compliance requirements, etc., but also finding and hiring project members or getting contracts in place;
- **Managing dependencies during project execution:** Agile teams tend to have a strong focus on delivering their promised sprint targets, without accepting in-between (scope) changes or outside distractions. In some situations however the world outside is too important to ignore. For example there may be dependencies and hand-overs that need to be coordinated with other teams, with specialists outside the team or with other projects, partners and suppliers. Most of the times this requires coordination and forward planning;
- **Upward and outward communication:** In most cases people outside the project need to know what is going on, especially in larger organisations. Upward communication to the management team or communication outwards to direct stakeholders is important. These people probably need to understand the project status in the overall context of the project or programme. Someone has to manage and take responsibility for these activities.

Conclusion: As the complexity increases, the argument for adding a project manager-like role becomes much stronger. In some ways agile spreads the responsibilities, although some of the existing project management responsibilities will still exist. Depending on the framework or method used, the role and tasks of the project manager might however be described differently from those of the traditional project manager.

What can you do?

Agile projects – hybrid or fully agile – are set up differently from traditional projects, leaving more responsibility to the teams involved. This means a changing role for the project manager as we currently know it. We also concluded that the role and involvement of a project manager is related to the complexity of the project or programme. Here is some advice.

> ❝
> The worst intervention is to introduce a programme manager role when there is a need to increase the control of your scrum/agile teams
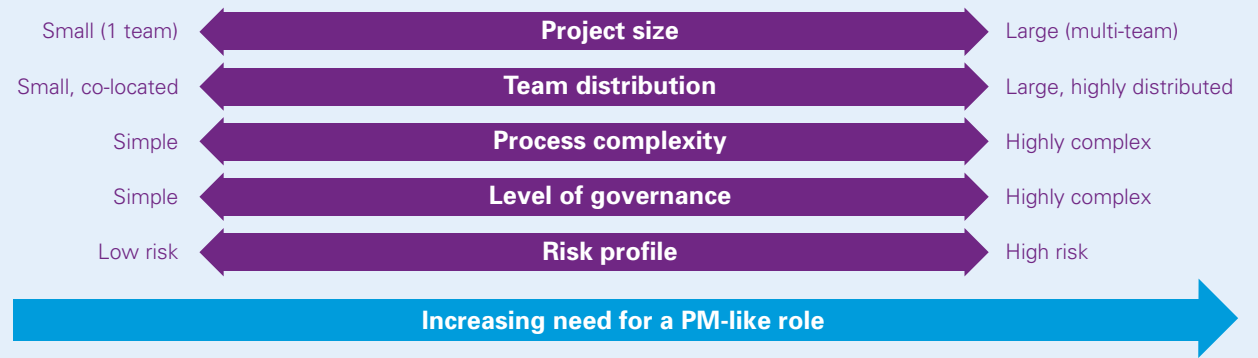>
> —————————————
>
> CEO, digital agency.

1

Keep it simple for projects with low complexity

If there are only a few teams involved, adding a project management role might overcomplicate things and might even be counterproductive. In these cases it seems like the most natural path for a project manager is to become the team's scrum master and a dedicated project manager may not be needed.

Aspects that might require the addition of a (agile) project manager

Small (1 team)	**Project size**	Large (multi-team)
Small, co-located	**Team distribution**	Large, highly distributed
Simple	**Process complexity**	Highly complex
Simple	**Level of governance**	Highly complex
Low risk	**Risk profile**	High risk

Increasing need for a PM-like role →

2

Adding a project manager means filling a true agile role

Even on a very large agile project, the team will still do much of the project management. For example, teams decide how to allocate tasks, estimate their work, etc. In these cases the project manager role becomes more of a project coordinator. Always select a project manager with the right agile mindset. It sounds rather straightforward but agile project management is more about leadership than about management. This also means that the project manager should be an enabler in creating this environment and should be able to adapt to these new circumstances.

Characteristics of the agile project manager

- **Authority:** The traditional project manager role moves from a command-and-control, hierarchical position to a servant leader or facilitator position that is covered by the scrum master.
- **Work assignment:** The responsibility for assigning work and getting the status of the work completed moves from the project manager to the team members.
- **Managing stakeholder expectations:** Communicating the project status to stakeholders and sponsors moves from the project manager to the product owner.
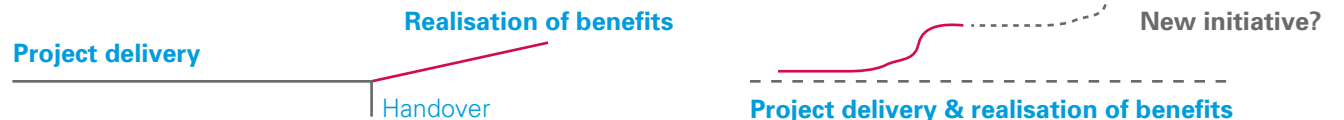
3. Managing for value

Projects are started with the intention of delivering business value through the benefits achieved. Unfortunately the benefits achieved and use of processes to manage value have been reported as being low over the years. With its focus on prioritising activities that drive business value, agile changes the game for value management. There are two key underlying principles. Firstly, prioritising functionality based on business value during sprints means that the business needs to clearly articulate what functionality would be of most value to it. This gives a more value-oriented mindset during all project phases. Secondly, more frequent delivery of working functionality allows for more implementation cycles, each of which allows the business to learn and adjust to better realize value.

You might summarise this by saying: the business can finally steer and quickly see results from its actions, leading to more involvement and more of a focus on achieving value.

Our Vision

Traditional/waterfall	Agile

One shot to get it right
- In waterfall projects, the deliverables are specified once, at the outset. A long time then elapses until implementation and the realisation of benefits.
- This is often accompanied by the false assumption that benefits will automatically be realised when the project is complete.

Speeding up the feedback loop
- The business finds out that it can actually influence what is being delivered and get feedback quickly through frequent delivery of functionality.
- This leads to more attention and involvement from the business.
- Implementation and benefits realisation are also more iterative.

Fire and forget
- Business cases are often used only to justify investment.
- The time that elapses between the project start and realisation of benefits makes accountability harder, as the world has changed and benefit owners/sponsors might have changed position.

More accountability
- Frequent delivery means the product owner has to face the effects of his/her choices, because (theoretically) benefits realization should be able to start relatively early and improve with each sprint.
- If the benefit owners change, they can hop onto a riding train instead of having to deliver on someone else's promise.

Focus on project delivery, not value
- In a waterfall process, we sometimes tend to start with a gold-plated design and end up with the basics, which also reduces the potential benefit.
- Often, the link between benefits and required functionality is not clear, leading to reductions in the scope with major impacts on benefits.

More bang for your buck
- As the contents of each sprint are prioritised by business value, there would be a focus on the 80/20 rule.
- This applies not only within projects, but also across all projects: if one initiative has delivered 80% of its potential benefits, moving on to the next initiative might be more valuable than realising the remaining 20%.

Project delivery

Realisation of benefits

Handover

Project delivery & realisation of benefits

New initiative?

What can you do?

The reality is that most respondents expect that agile and traditional methods will co-exist for the coming years. And if your organisation currently lacks a proper process to track benefits, what can you do to improve the focus on value realisation?

Focus on value

1

Close the loop for traditional projects

For traditionally managed projects, ensure that all benefits cited in the business case are validated and have an owner. Check for realisation of benefits afterwards. If possible embed this process in your project management method.

2

Fully integrate value focus for agile projects

From the start, fully integrate value management practices into your agile methods. And yes, there will be a learning curve. But project delivery will come out stronger, and in the meantime you will have realised actual business value to show for it!

3

Embed on portfolio level

Embedding value management in the project portfolio management processes helps to ensure that the focus on value within your organisation is not a one-off.

The practice can help in project selection, and also during project delivery by helping to keep the right focus on realising business value.

4. Adapting project portfolio management

Increased business agility was given as the main driver for moving towards agile. Although agile project management is expected to give a boost to project delivery, project portfolio management (PPM) plays a crucial role in ensuring that the organisation focuses on the right projects. It allows the business to adapt its portfolio of initiatives without having to wait for the following year's round of portfolio planning. In order to do this, the project portfolio management process must be adapted to a more agile or hybrid approach.
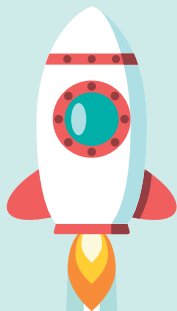
So, what changes?

From funding projects to funding domains
The central PPM function focuses less on evaluating individual projects and more on distributing budgets and resources across domains or value streams.

Decentralised, value-based prioritisation
Within each area, business owners prioritise their work using a strategic backlog and epics. Each epic centres around some specific functionality or business value. These units of work are usually much smaller than traditional project (which would contain a number of epics).

More agile decision-making
Traditionally, new initiatives often had to wait for the following year's portfolio cycle. Due to the smaller volume of committed work needed to deliver working results, it becomes easier to reprioritize work and add new initiatives, thus enhancing an organisation's business agility.

Caution! A hybrid form of PPM will be required

- Combining the different philosophies of traditional and agile project management in one portfolio will initially be a challenge.

- More than 80% of respondents expect that in the coming years projects will be executed in a hybrid environment.

- While agile is popular for the domains for marketing, sales, and IT for IT, it has not yet really penetrated areas like finance, HR and purchasing.

- Although several new frameworks and methods are available (eg SAFe, LeSS), it seems they have not yet been adopted widely, nor is it clear which will become the standard.

A high-level roadmap for the first steps of the journey to adapt portfolio management to an agile world

Start by mapping the territory
- What is your ambition?
- Which domains will be agile/ hybrid/ traditional?
- Guiding principles for PPM?

Experiment

Scale agile PPM practices

Focus on value
- Keep improving tooling and practices.
- Be transparent in lessons learned.
- Focus on achieving business value to boost your PPM.

Improve and adapt PPM practices
- In most cases PPM should be strengthened to be able to cope with a hybrid environment.
- Experiment with agile PPM practices in some areas, and scale up based on lessons learned.

What can you do?

1 **First of all, assess your current PPM practices**
Assess your current PPM practices. Ask yourself whether your PPM is currently set up for success:
- Does your organisation have clear governance and processes around selecting new initiatives and maintaining an overview of the portfolio?
- Is business involvement appropriate and of the right level?
- Does the PPM Board have the required insights to be able to effectively manage the organisation's change portfolio?
- How large is the proportion of agile projects in the portfolio? Do you feel in control of these projects?
- Does this approach give the required speed and flexibility to the change agenda?

2 **Allow for a more hybrid portfolio**
Some guidance on handling a more hybrid portfolio:
- Decide per business area/topic on the required agility and required change for the coming one or two years;
- Decide per business area (or landscape) on the most appropriate delivery approach (agile/hybrid/waterfall), based on strategy and required agility, as defined by the business;
- Ensure the participation of business leadership in the PPM Board and make them the primary coaches/sparring partners for the delivery of initiatives in their business areas (for which they delegate responsibility for delivery to their subordinates who actively participate in tactical prioritisation and delivery);
- Ensure stable resourcing of teams per business area, based on the business' projection of investments required for the coming years;
- Ensure balance between on the one hand agility and innovation and on the other hand maintenance and rationalisation;
- Accept that different approaches (agile/traditional) have different risk profiles and require different financial management (e.g. buffers).

Tailor agile to your organisation and make it a joint effort

Almost all organisations are moving towards agile

The main conclusion from this survey is that almost all the participating organisations have already embarked on the agile journey and that many believe that they will be working mainly with agile within the next three years. Effectively leading to hybrid project delivery models within organisations. Five themes emerged that significantly differ from the traditional ways of working. The premise is that the current volatility and uncertainty in an organisation's environment requires a break from traditional methods that favour predictability over flexibility and top-down steering over autonomy. It is precisely this paradigm shift that proves difficult. Implementing agile is not a standalone effort, it is not just about improving your IT development teams. In order to be effective, the whole system needs to change and become aligned with the agile way of working. This encompasses the way in which the business approaches projects, its expectations, the management style in respect of projects and portfolio management. Because changing an entire system is difficult, most of the respondents expect that hybrid forms will dominate in the coming years. So, while we will be moving towards agile, some projects will still be done using traditional methods.

Five themes shaping the agile journey

1. **Increased uncertainty** – In an increasingly volatile world, the predictability of project outcomes decreases. Whereas the traditional waterfall methods often struggle under this uncertainty, agile methods thrive and will grow.

2. **Continuous change** – In circumstances where organisations need to constantly adapt in order to keep up, it might become hard to continuously onboard and disband project teams. It therefore becomes important to have stable teams and keep the ball rolling to ensure the organisation gets used to change.

3. **Multidisciplinary, autonomous teams** – This basic premise of agile has shown its effectiveness over traditional 'command and control'. This has been demonstrated not only in the area of IT systems development, but also in start-ups and even in the military during the Iraqi war, as evidenced in US General McChrystal's 'Team of Teams' which combined the adaptability, agility, and cohesion of a small team with the power and resources of a giant organisation.

4. **Alignment and flexibility** – A (small) team is the basic building block of an agile approach. In order to deliver larger initiatives this has to be scaled up and woven into a network. The alignment of the small team and larger network and flexibility of this arrangement facilitate the project delivery, however achieving it is no easy task.

5. **From projects to flow** – These aspects lead to the insight that change will increasingly be delivered by stable teams, centred around an organisation's value streams. This could ultimately lead to the end of projects in their current form.

Decide wisely on how to apply agile

In cases where all requirements are fully known upfront (and will not change) and tried and trusted technology is used, traditional waterfall methods will probably beat agile methods. Traditional methods are all about sequentially defining what you want and then delivering just that. Changing things at a later stage in a project often proves difficult and/or costly (try moving a tunnel one metre to the right!). Agile methods, on the other hand, are geared towards change and uncertainty. They support the discovery process by starting with a concept and then building something that works, testing it and adapting from there. This might not be the shortest route from A to B, but if you don't know exactly where B is, it will get you there eventually.

Given these different characteristics, it is not surprising that agile works really well for organisations in the more volatile domains of online platforms. For a traditional organisation however it is important to look very diligently at which
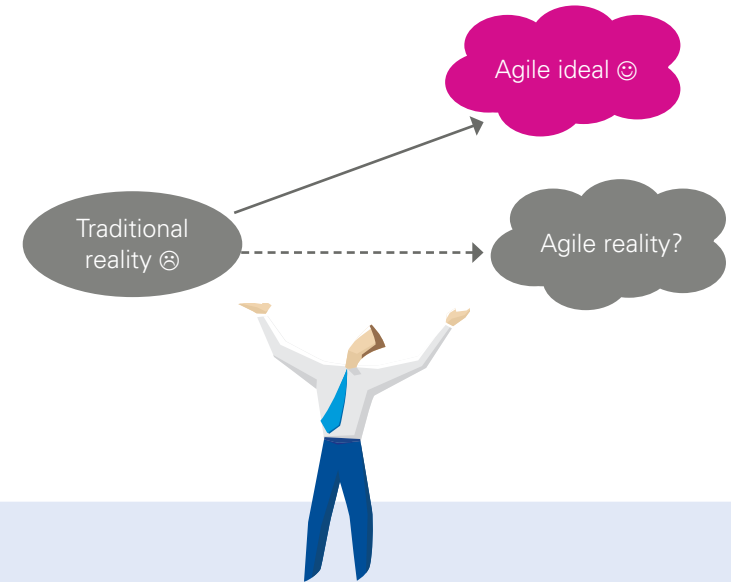
areas would be most suitable for agile, as applying it in domains with a lot of uncertainty would provide the highest business value and therefore also make it easier to get the buy-in of all stakeholders. It may be more difficult to demonstrate the business value of applying agile in more stable domains, which could lead to agile being viewed as an IT hobby. In this case there would be no incentive for the business to change the way it approaches projects and portfolio management.

Also, it is important to remember that agile is not a silver bullet for solving challenges that your organisation encounters in the area of project delivery.

> The act of organising sprints does not automatically imply agile working practices
>
> ———————————
>
> Program quality and risk manager, bank

Agile ideal ☺

Traditional reality ☹

Agile reality?

Agile is no silver bullet

- Many organisations are not happy with their (traditional) project delivery, even when using respected best practice frameworks like PRINCE2.
- However, we often see that organisations overlook one of the key principles of PRINCE2: tailoring it to the organisation, project size and the environment in which the project is executed.
- The same applies for agile: if you implement agile straight out of the book (or half-heartedly apply some principles and call it agile), it will not deliver any value for you. Worse yet, it might cause more harm than good.
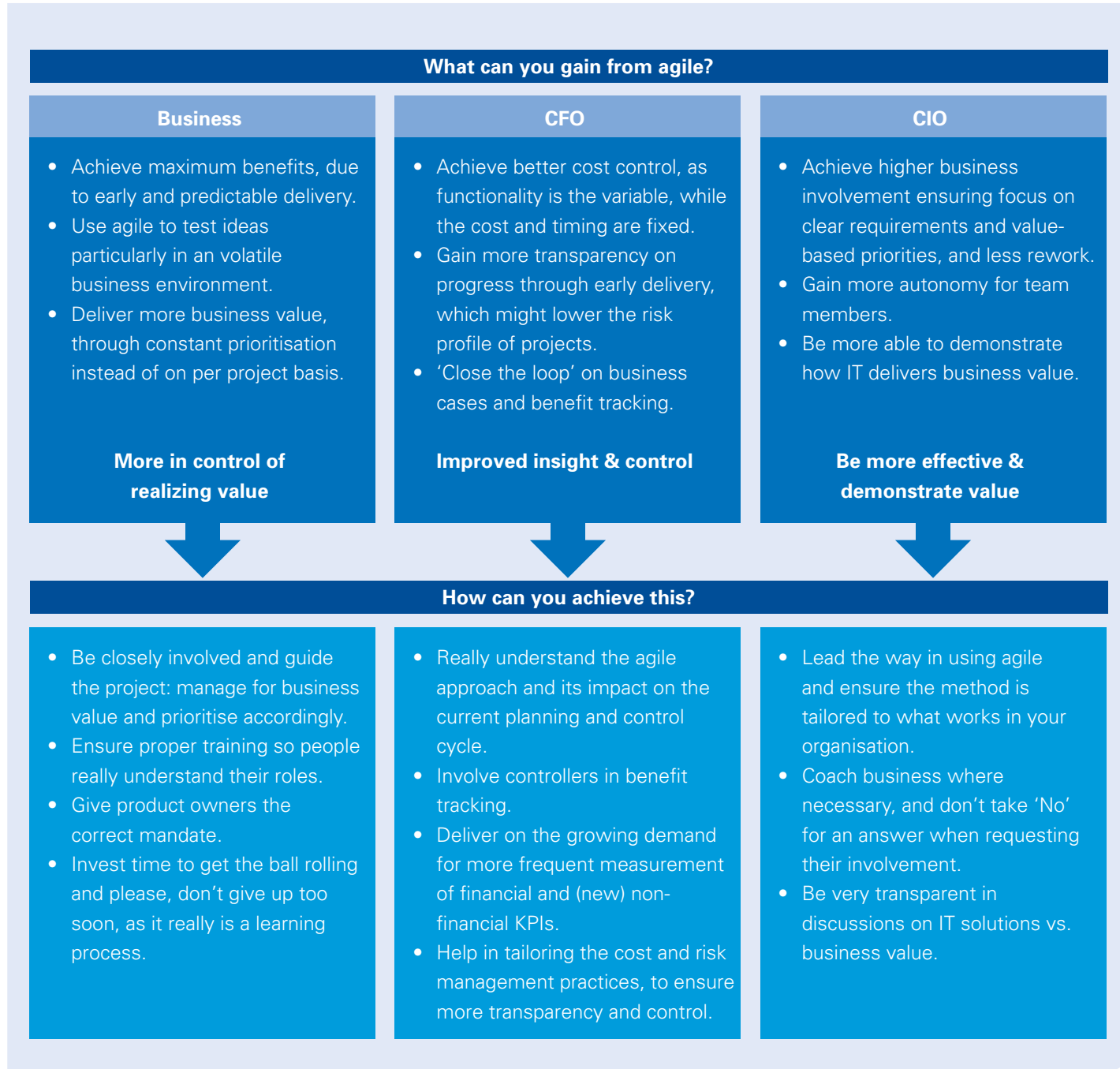
To cut a long story short:
- Organisations can often improve through better use of traditional project management methods.
- And, when implementing agile be sure to take the time to tailor it to your organisation and expect and allow it to evolve over time.

How to get the most business value out of your agile journey

Agile methods are a means to an end. When cutting away all the hype that currently surrounds agile, you are left with a powerful method to deliver change, but that also requires a significant change in the mindset of all stakeholders and is broader than IT. In this report we have discussed several practical tips on what you can do to make better use of agile project delivery. The only way to make it work is through a joint effort by the organisation, to ensure alignment throughout the cycle from idea to outcomes. As projects are usually driven from several different perspectives, we included some recommendations from three such perspectives:

What can you gain from agile?

Business

- Achieve maximum benefits, due to early and predictable delivery.
- Use agile to test ideas particularly in an volatile business environment.
- Deliver more business value, through constant prioritisation instead of on per project basis.

More in control of realizing value

CFO

- Achieve better cost control, as functionality is the variable, while the cost and timing are fixed.
- Gain more transparency on progress through early delivery, which might lower the risk profile of projects.
- 'Close the loop' on business cases and benefit tracking.

Improved insight & control

CIO

- Achieve higher business involvement ensuring focus on clear requirements and value-based priorities, and less rework.
- Gain more autonomy for team members.
- Be more able to demonstrate how IT delivers business value.

Be more effective & demonstrate value

How can you achieve this?

- Be closely involved and guide the project: manage for business value and prioritise accordingly.
- Ensure proper training so people really understand their roles.
- Give product owners the correct mandate.
- Invest time to get the ball rolling and please, don't give up too soon, as it really is a learning process.

- Really understand the agile approach and its impact on the current planning and control cycle.
- Involve controllers in benefit tracking.
- Deliver on the growing demand for more frequent measurement of financial and (new) non-financial KPIs.
- Help in tailoring the cost and risk management practices, to ensure more transparency and control.

- Lead the way in using agile and ensure the method is tailored to what works in your organisation.
- Coach business where necessary, and don't take 'No' for an answer when requesting their involvement.
- Be very transparent in discussions on IT solutions vs. business value.

About the survey

This study is more or less a continuation of previous studies. In 2005 and 2012 we conducted studies that investigated the success factors of programmes and projects. Obviously, these studies did not address the topic of agile development, which is a relatively recent development. The influence of agile development on the manner in which programmes and projects are executed is impressive and we were curious to dive into that. We came up with a zillion questions and had to restrict ourselves in order to come up with a workable survey.

The aim of this report was to provide insight into the adoption of agile in project delivery within organisations and to position this in the broader business context of project- and programme management. With the help of some preparatory interviews and our experiences in the field, these topics became clear to the extent that we were able to start formulating the most pressing questions. While getting answers on these questions allowed us to form a clearer view on the topics identified, there are still no black or white answers, as you have read. Besides the survey, we also conducted some interviews with organisations that are in the midst of the transition process and some who are

quite far along the path. This allowed us to discuss the survey results and enhance the insight gained from them.

62 Dutch and Belgian respondents from different sectors completed our questionnaire. The variation within this group was wide: people at management level (C-level), project and programme managers. The charts below show the respondents in terms of country, sector and company size.
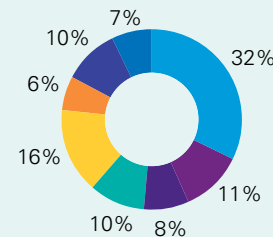
We would like to thank all participants for their contribution to this publication, and especially the organisations we have interviewed. Some insights from these interviews have been included as anonymous quotes.
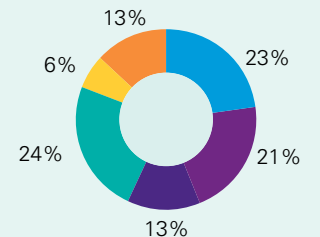
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Country of origin of respondents

40%
60%
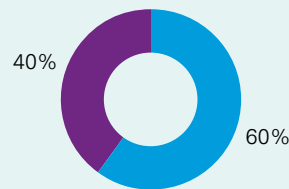
- Netherlands
- Belgium

n = 62

Sectors of the respondents

7%
10%
6%
32%
16%
11%
10%
8%

- Financial services
- Public sector
- Energy and utilities
- Logistics & transportation
- Technology, media and telecommunications
- Professional services
- Industry
- Other

Organisational size of the respondents

13%
6%
23%
24%
21%
13%

- < $10 million
- $10 million - $24 million
- $25 million - $49 million
- $50 million - $149 million
- $150 million - $249 million
- > $ 250 million

How KPMG can help you

From our experience your organisation might be struggling with:

- Choosing between traditional or agile approaches for certain business domains or projects;

- Projects/programmes of a larger scale or different nature than you have experience with;

- A lack of confidence that your current projects will deliver on-time, on-budget and with results in-line with expectations;

- Slow adoption of agile practices and not delivering the expected results;

- Selecting the right projects, or lack the ability to measure your portfolio to deliver the best possible return on your investment.

It would be our pleasure to discuss these challenges with you. An impression of our services, tailored for an agile (or hybrid) world:

Agile quick scan

- Quick scan on the effectiveness and maturity of end-to-end agile project delivery (from project selection until realized business value).

Value management

- Managing for benefits realisation. As every sprint delivers business value, Product Owners need to be able to clearly articulate the value they deliver.

Agile project delivery

- Running your transformation in an agile way
- Providing temporary hands on support for agile teams (e.g. ScrumMaster, Agile Coaches or DevOps Engineers) as well as training Business and IT teams.

NextGen IT Operating Model

- Defining and transforming the operating model for IT organization, as agile ways of working are transforming the way IT delivers value to the business.

Portfolio management

- Adapting the decision making process for projects and other change initiatives to a hybrid or agile portfolio, and ensuring all stakeholders are properly engaged with the new ways of working.

Quality Assurance

- An outside-in perspective to validate if projects are in control and on track to deliver value; adapted to agile delivery methods.

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