

Australian Institute of
Project Management

SUBMISSION To

VICTORIA PARLIAMENT

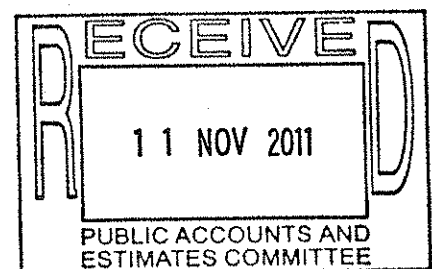
Into

**EFFECTIVE DECISION MAKING FOR THE
SUCCESSFUL DELIVERY OF SIGNIFICANT
INFRASTRUCTURE PROJECTS**

November 2011

Public Accounts and Estimates Committee

Submission No. 7



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1. OVERVIEW

- 1.1. The Australian Institute of Project Management (AIPM) is responding to the recent advertised request by the Victoria Parliament into the effective decision making for the delivery of significant infrastructure projects.
The AIPM believes the same decision making and project management frameworks can be used for small, medium and large projects across diverse functions and industries. We do believe that having Certified Project Managers is necessary for important infrastructure works to increase the likelihood of delivery success.
- 1.2. The AIPM believes many employer organisations are not aware of the value or the need to ask for qualifications and Certification evidence when employing Project Managers either full time or on contract arrangements. Helping these organisations to become better informed buyers is as important to the success of future projects as the competence and capability development of the Project Management workforce.
- 1.3. The AIPM differentiates, and believes buyers of Project Management services such as the Victorian Government should differentiate between Competency Certification, Qualifications in Project Management and training in Project Management tools.
 - 1.3.1. Competency Certification is used by Professional Institutes to recognize individuals who have evidenced the attainment of a Professional Standard. The AIPM conducts a rigorous workplace assessment by independent assessors to determine the level of competency of Project Individuals¹ and Project Managed Organisations (PMO)².
 - 1.3.2. Qualifications are a formal level of educational attainment as determined by a University, TAFE or a Registered Training Organisation. It is about testing knowledge at a point in time. Knowledge that is not applied in the workplace quickly dissipates.
 - 1.3.3. Training in Project management tools, is provided predominantly by a Registered Training Organisations and is about examining knowledge which can dissipate without application.

2. PURPOSE OF THIS SUBMISSION

- 2.1. This submission sets out the AIPM's response to the Terms of Reference in the request.
- 2.2. We offer comments from our experience and a willingness to be part of the future solution.

3. INTRODUCTION

- 3.1. This submission is made by the Australian Institute of Project Management (AIPM).
- 3.2. The AIPM is the peak body for Project Management in Australia. Formed in 1976, it has almost 10,000 members of which 35% are certified under the RegPM workplace competency program.
- 3.3. The AIPM's role is to help improve the knowledge, skills and competence of project managers and related project personnel, all of whom play a key role in the achievement of business objectives, not just project objectives.
- 3.4. AIPM members cross diverse industry sectors with the largest being Defence (26.5%), Construction (24.8%) and Government (23.5%). These industry percentages are based on membership surveys.

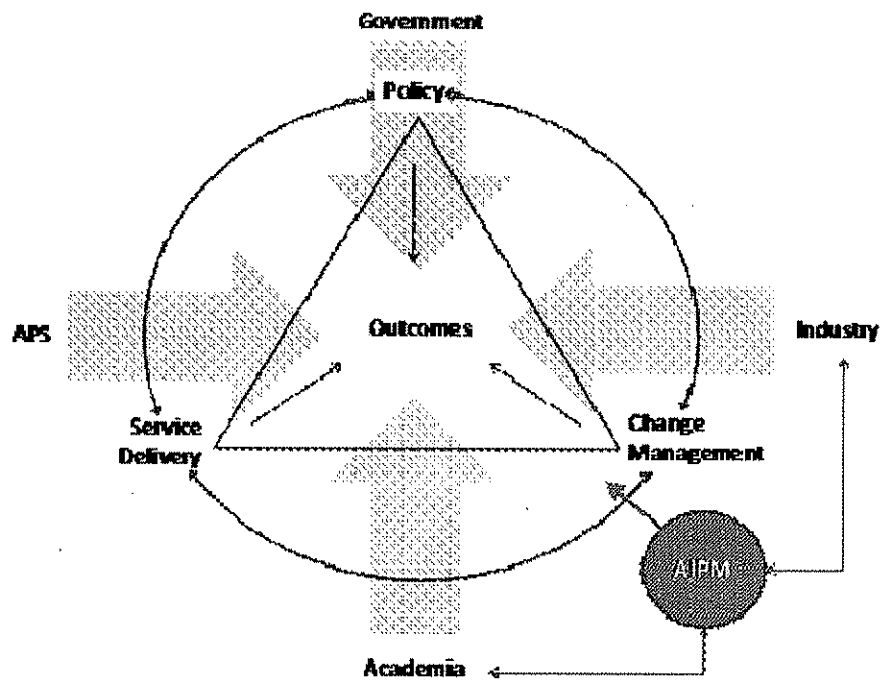
¹ The AIPM RegPM Competency Standards for individuals; <http://www.aipm.com.au/html/guide-regpm-levels.cfm>

² The AIPM RegPM Competency Standards for Organisations; http://www.aipm.com.au/html/pmo_award_information.cfm

- 3.5. The AIPM is a Not for Profit organisation that uses its income to finance member based activities, rather than creating organisational wealth.
- 3.6. The AIPM is the second largest country member association of the International Project Management Association (IPMA), a Federated organisation of 55 member countries.
- 3.7. The AIPM is initiated and is now Seretariat of the Asia Pacific Federation of Project Management (APFPM). An organisation comprising of Hong Kong, India, Singapore, USA, Indonesia, Nepal, Canada, Japan, China, Mexico, Peru, and Australia.
- 3.8. AIPM recognises the value of both project management knowledge and workplace competency assessment. We support the former in two ways:
- through Endorsed Courses offered by registered Training providers on our website. The RegPM Certification Assessment process also requires candidates to demonstrate underpinning knowledge of PM theory; and
 - through our relationship with IPMA. This relationship means AIPM can offer a Global Certification program alongside the well established Australian RegPM program.
 - Competency based Certification, as opposed to simply Knowledge based Certification, is regarded globally by leading Project Management specialists as the most effective means for providing industry / government confidence in the practitioner having the ability to deliver the Project to be undertaken.
- 3.9. The AIPM has pioneered one of the leading Competency based Certification Standards in the world for individuals and organisations.
- 3.10. The AIPM hosts an annual National Conference and also runs annual Project Management Acheivment Awards (PMAA) which recognises excellence and achievement in project management across Australia. The AIPM this year has also been chosen to host the IPMA 25th Project Management World Congress. This will be the most significant annual global event in the Project Management world.
- 3.11. The AIPM works with Corporate Members (who cover both public and private sector) to support their growth into Project Managed Organisations. These organisations exemplify the recognition of the value and importance of utilising Certified Project Managers.
- 3.12. The AIPM has a range of strategic alliances and agreements with TAFE's and Universities throughout Australia in project management educational development with regards to certification. It also supports students through free membership of the AIPM. An another example is having a strong relationship with the Recruitment Consultant Services Association (the sectors peak body) to work with Recruitment Consultants to guide their use of project management Certification evidence, in the recruitment and selection process on behalf of clients.
- 3.13. AIPM's competency standards and assessment framework although primarily focus on competency, they also examine and take into account candidates knowledge through their qualifications. Candidates who successfully attain certification are entitled to show the AIPM RegPM post-nominal, identifying their professional industry accreditation and are identified on the AIPM Website for independent verification of competencies. .
- 3.14. Purchasers of Project Management services should look for such accreditation to help them select contractors and recruit staff as a measure of risk to project success. That is, a professionally certified project manager could be expected to provide greater assurance to a project than one who does not.
- 3.15. As a high-level guide to duties and level of responsibility, project practitioners (CPPP level) will contribute to project activities; a Project Manager (CPPM level) will manage the project and integrate the 8 functional areas of project management throughout the project life cycle; and a Project Director (CPPD Level) will direct and manage the activities of other project managers across the 9 functional areas project management.

- 3.16. The planned release of the Portfolio Management competency standards will provide for executive level practitioners. These may be contractors, or most likely, they will be existing employees with senior management responsibilities.
- 3.17. Rather than be appointed to project management positions through evidenced experience in running projects successfully, many project managers we meet have been promoted from past technical work to a project. That is why for the past 15 years we have worked to ensure individuals and organisations are assessed and certified based on their proven track record of delivering projects.
- 3.18. The AIPM believes that Certification through proven workplace Competency Standards increases the likelihood of successful project delivery and the realization of business benefits.
- 3.19. When developing its competency standards and assessment framework, the AIPM deliberated on the need to provide a generic versus industry specific set of competencies. The AIPM chose to define the generic project manager attributes because it believes industry employers are better placed to define the specific technical skills and experience requirements relevant to their needs. This model is consistent with what IPMA and many other key professional associations do also, even considering the Certified Practising Account type model
- 3.20. However, this does not preclude the AIPM from working with Industry to develop more vertical models for project management competency - particularly as project management remains a very small component of technical skills development across industry segments; in preference to specialist more technical skill sets.
- 3.21. Ideally, industry specialist project managers would be able to demonstrate industry relevant proficiency on both technical and project management knowledge and discipline areas. Evidence of where this has been applied is with our Defence members. They have developed an industry specific Professionalisation framework which incorporates the AIPM's certification framework.
- 3.22. This would of course require a collaboration of effort and resources to achieve.
- 3.23. The AIPM is of the view that in a complex project the Project Manager will have access to suitably qualified, certified and experienced people with functional or industry specific capability. This is likely because perceived "complex projects" heighten sensitivity to risk and the need for adequate resources to mitigate risk and achieve success.
- 3.24. In the construction industry, complexity is likely to increase the requirement for project controllers, quantity surveyors, engineers, contract managers and specialist (industry qualified and certified) trades people.
- 3.25. The AIPM is very focused on ensuring Australia has the workplace capability required to deliver best value for money outcomes.
- 3.26. The recently published APS Reform Blueprint³ provides evidence that in Government terms, these challenges are driving the need for systemic reform in the Australian Public Service and may be applicable to the Victorian Public Sector.
- 3.27. On the matter of APS Reform and of project management capacity in general, through its ACT Industry Council, the AIPM is undergoing further exploration with the Australian Public Service Commission (APSC) and the Department of Prime Minister and Cabinet - in their role in delivering the reform agenda, to address issues such as those raised in this submission. This would see a collaborative approach involving industry, government, academia and the AIPM.
- 3.28. Our proposed model for engagement is illustrated below.

³ http://www.dpmc.gov.au/publications/aga_reform/aga_reform_blueprint/index.cfm



4. SOME COMMENTS ON THE INQUIRY

It is unfortunately well recognised that a large number of projects conducted by both government and corporate industry, are poorly managed and subsequently fail to achieve their specified desired outcomes.

In statistical terms the rate of project failure is significant; whether through not delivering to budget, running overtime, dysfunctional end user facilities, or injuries. The Australian community has and will pay a huge cost for such failures. It is effectively the primary reason why the AIPM was established and currently exists, to try and change this present situation.

According to leading global bench marking company Independent Project Analysis, in Australia less than one company in ten amongst IPA's 150 company clients are genuinely capital effective. Capital effectiveness occurs when a project delivers what it originally set out to achieve.

A significant cause of failure according to IPA's extensive research is; 'Because Australian owners have largely lost or are dismissive of the competencies and experience needed to set large technically complex projects up to be successful'.

Construction and infrastructure projects across Australia are an essential component of Australia's economic productive capacity and development. The Federal Government has rolled out tens of thousands of new projects for roads, rail, ports, broadband infrastructure, education, hospitals and clean energy over the last few years.

Yet there is simply not sufficient suitably qualified Project Managers in Australia to handle the capacity and diversity of such projects, let alone all the private sector projects also occurring simultaneously. The demand for competent Project Managers on government projects alone will outstrip supply and will not be readily achievable in the short term.

Essentially, the use of the title 'Project Manager' is currently largely unregulated. Therefore, a person with little or no knowledge, skills of ability in Project Management can still call themselves a Project Manager.

Other professions require registration prior to being able to practice. As an example, in the building and construction industry, Architects must be registered before they can practice and call themselves an Architect. Similarly, Engineers must be registered. These are both legislative requirements.

Current PM Regulatory Environment

- The AIPM is aware that the requirement for registration of Project Managers in relation to the Building industry exists within Queensland. The Queensland Building Services Act (1991) requires any person who undertakes the role of "Builder – Project Management Services" to have specific qualifications and experience.
- The AIPM believes clients should be educated to request Certified Practitioners for all projects in their organisations, rather than a licensing environment. In the case of the Queensland Government, they have elected to approach this via a policy solution.
- Private certification and company quality management systems are tending to rely on self-certification by others thus becoming process (tick the boxes) rather than verification orientated.
 - AIPM sets the industry benchmark for Project Manager accreditation in Australia. Its accreditation process, called RegPM, is a competency based assessment. The process also establishes that the candidate has the underpinning knowledge and experience necessary to be accredited.
 - The Competency certification approach, as opposed to simply knowledge based systems, is regarded globally as the most likely to give industry and government confidence in the selection of Project Managers, and particularly useful where projects are complex or have a critical end value. The assessment process for the granting of an accreditation under AIPM's RegPM is carried out by an independent assessor, who is authorised by AIPM to carry out assessments under its competency standards.
- At a general Program and Project management level there appears to be a lack of commercial and applied technical capability to adequately and reliably scope, risk manage and procure

works. As a result there is a clear lack of confidence (and ability) by the program and project managers to inject the necessary leadership required to deliver projects.

- There is a huge unprecedented demand for Project Management competency across Australia, as well as throughout the rest of the world. Projects have generally become substantially more risky and complex to deal with; we have more sophisticated and demanding governments, and a society with higher expectations. The current and historical evidence shows that project failure rates are continuing to be high with delivery of capital effectiveness low.
- There is no magical cure. The path ahead will take some time and require substantial capacity building in developing and promoting Project Management competence and professionalism; and it will require buy-in by individuals, corporations, professional bodies and certainly government to work together to resolve the situation. Government, because of its spread across just about all industries and collectively uses an enormous amount of project management activity is one of the biggest potential influencers of being able to bring about change.

5.

THE WAY FORWARD

- 5.1. The AIPM believes there are a number of opportunities to elevate the status of Project Management in Australia through cultural change to encourage a more sustainable engagement model between industry and clients. Future purchaser/provider agreements should be informed by professional framework which denotes reduced risk, expected professional standards and the assurance that they are giving themselves the best possible chance of success.
- 5.2. AIPM would like to work with Government to refine the approaches to developing and ensuring competency in project management and to continue to deliver the messages around the value of competency to the public and private sector industry sectors in Australia.
- 5.3. There is an unprecedented and increasing demand for competent Project Managers in Australia (though not unique to Australia) and this is unlikely to diminish given the focus on infrastructure projects for growth and capacity building in communities, as well as maintenance of existing facilities. The Federal Government recently identified Project Management as a key skill requirement for future for economic growth and is providing funding through the Productivity Places Program for the BSB41507 Certificate IV in Project Management and BSB51407 Diploma of Project Management.
- 5.4. As projects become more complex there is significant risk associated with having non-qualified and non-certified Project Managers running these activities:
 - those people wishing to pursue a career in Project Management, and those who will be required to manage projects as part of their career be encouraged to undertake Certification as a Project Manager and to maintain their certification through annual Professional update activities;
 - clients should be educated to ask for suitably Certified Project Managers when they go to market to hire employees or contract staff for related activities; and
 - education institutions should be encouraged to work with industry to ensure they are providing the most appropriate training for new Project Managers and those who would like to pursue a career in project management, this to be accompanied by workplace competency assessment to identify potential development and to lead to Certification.

6.

RECOMMENDATIONS

- 6.1. The AIPM recommends that:

- 6.1.1. The Victorian Government conduct a Competency and Skills audit of Public Servants and contractors engaged on Victoria Government projects to develop a capability profile and gap analysis. That this gap analysis be used for planning with the participants shown in the Industry Council model.
- 6.1.2. Consistent with the Industry Council model, that a Victorian industry council be established, jointly funded and resourced by AIPM, Industry, Government and Academia, to define a sustainable response strategy to the competency of Project Management skills in Victoria.
- 6.1.3. That the Victorian Government request evidence of Project management competency for all project Managers engaged to work on projects. That these requirements be reflected in the National Public private Partnership Policy and Guidelines and Partnerships Victoria. They should request such evidence in the following two areas:
 - 6.1.3.1. AIPM Certification
 - 6.1.3.2. Membership of a Professional Institute such as the AIPM.

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