Gartner's Program and Portfolio Management (PPM) Maturity Model enables PPM leaders to identify shortcomings, determine priorities, and establish goals for improving their organizations. This maturity model is intended to support program and portfolio activities enterprise-wide.

Key Findings
• The PPM Maturity Model has six levels, ranging from zero (nonexistent) to five (fully mature).
• Each level is defined by the sophistication or maturity of the relevant dimensions: people, PPM processes, financial management, technology, and relationships.
• Role-based maturity models are a mix of organizational culture, individual capabilities, and the organization’s process maturity. At various levels of maturity, the amount of influence each of these three factors has can change. Culture and individual capabilities have their strongest influence at Level 0, Level 1, and Level 5, whereas process tends to be strongest at Level 2 and Level 3.

Recommendations
• Use the PPM Maturity Model to determine the relative maturity of your PPM function.
• Solicit input from each functional area and all key stakeholders to arrive at a collective position about which processes and how many the organization can assimilate at any point in time. Follow the mind-set of “just enough” process to accomplish the result.
• Create processes and approaches that are mutually reinforcing. For example, using time cards allows for better tracking of a project, which allows for better sizing of the project portfolio, which should enable people to focus more time on fewer projects, making their workloads more manageable. Each level has a series of appropriate processes that can be added.
• Level 3 is often the “sweet spot” for organizations. Improvements obtained at Level 4 and Level 5 are significant but may be inappropriate for some organizations. It is also possible to mix and match specific capabilities within a dimension at various levels as long as the core infrastructure to support those capabilities is in place.

ANALYSIS
Organizations are constantly working to improve the value of their investments. Regardless of the economic state or the health of the particular organization, discretionary projects and initiatives receive significant scrutiny. How well money is spent and managed within initiatives determines not only the business success of an overall strategy, but also the personal success of those who put those initiatives into motion.
In IT or other project-centric organizations, the ability of PPM leaders to deliver results for projects and programs has always been challenging (see Note 1). As a result, there is a growing interest in building an increasingly sophisticated approach to portfolio management and the supporting disciplines of PPM. To do this, every organization needs to objectively assess the maturity of its processes, irrespective of location, and begin to move forward in a logical sequence that allows for incremental improvement, while avoiding cultural conflicts and wholesale rejection by all the concerned parties—a frequent problem with improvement plans that try to go too far and too fast for the organization to assimilate.

The PPM Maturity Model (see Note 2) is intended to help the senior management of project-oriented organizations communicate with executive management about the state of the PPM function. It enables PPM leaders to compare their organizations’ PPM processes and attributes to those in the Gartner model, and thus focus attention on areas where the greatest improvement is needed.

1.0 The PPM Maturity Model
Gartner’s PPM Maturity Model has six levels. These levels range from least mature, Level 0, to fully mature, Level 5 (see Figure 1). The levels can be applied to any business process, but the dimensions that make up the model are unique to a role or a process.

Within this maturity model, five core dimensions are of critical importance in PPM. They are:

1. **People.** People are the most critical part of any project-centric endeavor. The interdependency among people in terms of their availability, their skills, their contribution to projects and their career aspirations are of critical importance.

2. **PPM processes.** PPM processes comprise activities such as prioritization, which is required when multiple projects are managed as a unit along with many project management processes, such as risk and resource management extended from a single project to a portfolio or collection of projects. One of the most common processes is the establishment of a PMO (be it a project management office, program management office or portfolio management office).

3. **Financial management.** Financial systems that might be adequate when projects are paid for as part of a lump sum in the budget become completely inadequate when they are forced to handle the granularity and level of analysis often required to support a more detailed look at multiple projects and programs. To achieve financial management, chargeback or allocation systems, as well as new mechanisms for tracking value are often required.

4. **Technology.** The requirements for technology evolve as the various PPM processes change as they move through the levels of maturity. Additionally, PPM processes often require a unique set of tools to adequately fulfill their business functions.

5. **Relationships.** Organizations must identify the touchpoints necessary to maintain the processes outlined above. This includes identifying who needs to be informed, who needs to be consulted and whose help is mandatory to ensure that the desired processes work effectively.

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**Figure 1. Six Progressive Levels of the Maturity Model**

Level 0  Nonexistent  Level 1  Initial
Level 2  Developing  Level 3  Defined
Level 4  Managed  Level 5  Optimizing

**Progression toward full maturity**

Source: Gartner (July 2007)

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**Note 1. Project, Program and Portfolio Defined**

For this document, the following definitions apply:

- **Project:** A temporary endeavor undertaken to create a unique product, service or result.

- **Program:** Multiple related projects directed toward strategic business and other organizational objectives that, when executed together, generate benefits beyond those that would have been generated had they been executed individually.

- **Portfolio:** A collection of projects and programs that are developed and executed across a management domain, and are consolidated into a single view of overall value and risks.

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Each of the levels is defined by the sophistication or maturity of specific dimensions that are relevant to PPM activities (see Table 1). Each of the five dimensions has its own maturity scales. Progressing from Level 0 to Level 5, each column contains labels indicating the minimum maturity (for example, ad hoc, reactive, emerging) for each core dimension. These maturity levels are cumulative — that is, each level builds on the maturity from the previous levels.

1.1 People

**Level 0 – Nonexistent**

There is no formal role for PPM at this level. The organization operates as an “adhocracy” (see ) and work is only turned into a project when it makes sense to the participants. Teams are often self-directed by default, rather than by fiat.

<table>
<thead>
<tr>
<th>Table 1. Ability to Execute Evaluation Criteria</th>
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</thead>
<tbody>
<tr>
<td><strong>People</strong></td>
</tr>
<tr>
<td><strong>Level 0: Nonexistent — ad hoc</strong></td>
</tr>
<tr>
<td>Staff assigned to projects on a first-available basis. PPM activity limited to interests and actions of individual managers.</td>
</tr>
<tr>
<td><strong>Level 1: Initial — reactive</strong></td>
</tr>
<tr>
<td>Priority projects get appropriate staffing — everything else is “first available.” Nascent PPM leader role — primarily still an individual manager focus.</td>
</tr>
<tr>
<td><strong>Level 2: Developing — emerging discipline</strong></td>
</tr>
<tr>
<td>PMO(s) established. Programs increasingly managed in-house. Project staffing/resource capacity issues begin to be addressed.</td>
</tr>
<tr>
<td><strong>Level 3: Defined — initial integration</strong></td>
</tr>
<tr>
<td>PPM leader role formalized and increasing specialization trend beginning. Shared-resource pools formalized.</td>
</tr>
<tr>
<td><strong>Level 4: Managed — increasing efficiency</strong></td>
</tr>
<tr>
<td>Network of PPM leaders exist companywide in a federated model. Centers of excellence improve workload management. Capacity planning enabled.</td>
</tr>
<tr>
<td><strong>Level 5: Optimized — enterprise-orientation</strong></td>
</tr>
<tr>
<td>PPM leaders exist in all areas of the company. Accepted specialization (program, portfolio and strategy) supports maximum performance.</td>
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</tbody>
</table>

| **PPM Processes**                              |
| Projects are assigned to line or staff managers. No formal PPM processes beyond high-level budgeting, except as provided by outside vendors. |
| **Technology**                                 |
| Intermittent use of project schedulers, spreadsheets and other point tools on a “by project” basis. |
| **Financial Management**                      |
| Projects done without formal cost, benefit or risk valuation. |
| **Relationships**                             |
| Programs can only be defined and managed with vendor help. IT organization and business communicate ad hoc. |

Source: Gartner (July 2007)
From an organizational perspective, all requests go into the same queue, and staff is assigned on a first-available basis. Individuals can volunteer to work on assignments of interest, and personal excellence becomes obvious. Rewards go to the “A” players (the stars), while “B” players (good team members) are largely taken for granted. “C” players (the average performers) are kept simply because they provide an extra pair of hands. Little or no training or career development exists at this level.

Vendors, consultants, and staff from corporate or an acquiring company are engaged when and if formal processes appear to be required.

**Level 1 – Initial**

The PPM leader role is beginning to be acknowledged; although it is still sourced only from external vendors and partners. Hiring an employee is viewed as excess overhead for the company as a whole. Individual managers with PPM leadership expertise continue to influence decisions through the adhocracy.

Project staffing is done on a slightly more formal basis. Priority projects get appropriate staffing, and everything else is staffed on a first-available basis. There is no official resource pool; the only way to determine availability of a resource is to query the individual directly. Islands of excellence and pockets of chaos exist, and which one a project turns out to be is often a matter of chance.

**Level 2 – Developing**

The PMO(s) is established. Fuzzy requirements of what skills the job requires to be successful often create a mismatch between organizational and individual expectations that significantly increase the odds of staff turnover.

Some type of resource pool has been created and rudimentary skill data is available, although true availability is usually still lacking. Resources are assumed to be homogeneous in a job classification. While B players are receiving greater recognition as team players, people previously designated as “stars” are feeling confined and no longer as valued.

**Level 3 – Defined**

The PPM leader role is formalized, and the trend toward increasing specialization (program managers and portfolio manager methodology director) emerges. The personality profile of the PPM leader begins to change. The job focus shifts from ensuring compliance to facilitating results and communication.

Resource fragmentation among a larger project staff builds because the organization is sophisticated enough to staff projects, but not sophisticated enough to handle the issues of people being assigned too many projects and/or maintenance tasks.

Life is beginning to be more comfortable for the A players on project teams because there are more formal programs and more innovative projects to challenge their skills.

Initial training offerings become available, but individual training options are not regularly available. Career growth is still “survival of the fittest” or available to the lucky few who work for the right manager.

**Note 2. Maturity Model**

*Maturity model:* This is a proven approach for IT leaders to improve the effectiveness of their management processes. Among the many maturity models in use today are the Software Engineering Institute’s Capability Maturity Model Integration (CMMI) and the 30-plus maturity models that accompany each of the generic processes identified in the Control Objectives for Information and Related Technology (CobiT) framework from the Information Systems Audit and Control Association. Beyond this, the consulting community, as well as software tools suppliers, have maturity models. Although Gartner is not trying to duplicate these or match their granularity, we have incorporated material where appropriate. Gartner has numerous maturity models other than PPM that clients can use to plot their market positions and identify improvement opportunities. These Gartner offerings include the Value Management Maturity Model, the Business Intelligence and Performance Management Maturity Model, and the Application Management Maturity Model.

**Level 4 – Managed**

A network of PPM leaders exists throughout the company in a federated mode. Program management assignments are considered a proving ground for promotion to line-management jobs in operations. The role is well-respected and sought after.

For large organizations, resource management effectiveness usually benefits from organizing staff into centers of excellence, better enabling capacity planning. A center of excellence ensures that technical staff has an opportunity for learning and career development, while a project manager is directly responsible for the day-to-day work being performed.

Training plans are developed for the individual, not just for the group. Training plans are also linked to career development. Additionally, a formal mentoring program is in place for all project managers and program assignments.

**Level 5 – Optimized**

PPM leaders work in all areas of the company. Accepted specialization (program, portfolio and strategy) supports maximum performance. PPM leaders can move between career opportunities in a variety of functional areas, depending on their backgrounds and inclination.

**Note 3. Adhocracy**

The term was first popularized in 1970 by Alvin Toffler in his book “Future Shock,” and has since become part of the lexicon of organizational development and management theory.
At Level 5, the mechanical issues about project assignments and workload balancing have been dealt with, and the organization can now shift its focus to enable individuals to exercise more control of their assignments and career development. Individuals can bid on assignments and link their career development plans to automatically alert them to potential project assignments. Each individual receives some formal training every year to ensure skill development. Innovation is fostered by a program that enables individuals to propose new ideas for development projects and receive funding through a dedicated fund.

1.2 PPM Processes
Level 0 – Nonexistent
Formal processes don’t exist, but individual capabilities and stable circumstances allow work to get done. Individuals with strongly developed metacognitive (see Note 4) skills practice what might be considered natural project management. This is further reinforced by the focus on results inherent in the adhocracy.

At this level, there is a tendency for a tasks and activities, such as appropriate planning or process optimization, to fall through the cracks. Projects are assigned to line or staff managers, but project management is only as good as the individual responsible for running the project. Strategy is reflected in high-level budgets only, not in supporting programs or portfolios. If risk is considered at all, it is done as part of a go/no-go decision with regard to the work being done. The organization does not consider the business impact associated with project mismanagement and development project failures.

Level 1 – Initial
Organizations begin to feel the lack of process. As the volume of project work picks up and the number of people involved increases, fewer heroes, or natural project managers, are available and the lack of support structure becomes apparent. Although the use of project management techniques and approaches is still a decision left to individual managers, the number of individuals who feel they are being denied the tools to do their jobs increases.

Strategies to handle risk are limited to contingency plans for what to do if the risk happens. There is no understanding of early mitigation or elimination.

Level 2 – Developing
Senior management has accepted the idea that effective project management will increase the value of IT spending. The organization is in the process of developing and utilizing some techniques and methods from project to project. Projects have informally defined business and technical objectives. Initial guidelines have been developed for many aspects of project management. Application of project management guidelines is left to the discretion of the individual project manager.

Some combination of project, program and portfolio offices is established to satisfy the size and types of projects being managed. Projects are monitored, with defined and updated milestones, schedules and budgets. A list of approved projects is tracked, and some prioritization has been done (at least once a year).

Note 4. Metacognitive
Metacognition is a skill cultivated at an early age that involves designing an approach to gathering knowledge, executing on that plan and then consciously evaluating whether the knowledge has been obtained. Consequently, such individuals are well-equipped to operate in a project environment that entails the same basic framework of plan, execute and assess.

The necessary process discipline is in place with regard to risk to repeat earlier successes on similar tasks. Some decision making regarding who should respond to particular risks enters the review process.

Level 3 – Defined
The differences between project management and program management begin to be formally defined, and the appropriate methodologies have been established and communicated. Participants understand that programs require more-sophisticated management skills and that the number of moving parts in a program will necessitate continued reassessment of what gets done and when.

Project/program teams and business management are committed and involved in the management of projects. If the project team responsibility does not extend through full implementation of the project, then a business process project manager is assigned to oversee the implementation and change management efforts.

Individual projects are now viewed as having unique risk profiles. Project and program managers develop appropriate mitigation strategies to eliminate risk where appropriate, rather than just work around the event once it has happened.

Although the rules of how to manage a project have finally been codified, increased segmentation of projects by type is beginning to show the need for more than one method. Formal governance processes are evolving, and integration points are solidified between PPM functions and the needs and demands of the enterprise architecture function. For example, project selection/approval uses enterprise architecture as a checkpoint, and any decision to deviate from EA standards must be formally addressed.

Level 4 – Managed
Management requires formal, standardized project metrics and lessons learned to be reviewed following project completion. Project and program management is measured and evaluated throughout the organization, not only within the project’s organization.

Management has implemented a project, program and portfolio organizational structure with documented roles, responsibilities and staff performance criteria. Criteria for evaluating success at each milestone have been established. Value and risk are measured and managed prior to, during and after the completion of projects.
Project audit functions ensure that all projects are reviewed at appropriate points to reduce potential difficulties or failure. Risk is evaluated at the portfolio level to ensure that the aggregation of projects does not introduce a level of risk that is not found on a single project basis.

Approximately 10% to 30% of risky/innovative projects are planned into every portfolio to ensure competitive advantage. The organization is comfortable that these projects need to be managed by their own unique rules – for example, as “skunk works” (a project managed outside of traditional guidelines).

The requirement to have multiple portfolios (new project, enterprise change and software assets) is well understood and managed.

Level 5 – Optimized
The PPM office is responsible for cross-functional or enterprisewide projects and programs from inception to post-implementation. An organizationwide portfolio approach to planning programs and projects ensures that users and IT resources are best utilized to support strategic initiatives.

A proven, full-life-cycle project and program methodology is implemented, enforced and integrated into the culture of the entire program. An ongoing initiative to identify and program the best project and PPM practices has been implemented. An IT strategy for sourcing development and operational projects is defined and implemented.

1.3 Financial Management
Level 0 – Nonexistent
Project work is initiated on the “squeaky wheel” principle (the loudest voice always wins); and performance is indeterminate at best, because of inefficiencies and competing priorities. Funding amounts are hidden in operating budgets. Risks, if acknowledged at all, are treated as the worries of an overwrought manager, and the value of the project to the organization is subjectively determined by the sponsor.

Level 1 – Initial
Projects, where they are broken out, have initial budgetary estimates; the calculation of the actual cost of a project is estimated based on the number of people working on the project for Statement of Position (SOP) 98-1 compliance (see Note 5), but the calculation is considered too high to be valuable for any operational feedback. Spending decisions are controlled at the organizational level rather than by project or program. High-value projects might not get done if the sponsor fails to speak up.

Level 2 – Developing
Project cost and labor hours are captured. A “guesstimate” of the benefits for each project is developed. A list of projects can be produced, but no official process exists for portfolio management. Projects aren’t formally aligned to strategy. Portfolio management, if in place, is done on an annual basis and not adjusted for changes throughout the year. Pipeline management might exist on paper but not in practice.

Level 3 – Defined
Project cost and labor hours are captured. A more robust estimation of benefit is developed for each project. The project portfolio has at least a cost and a benefit number to aid in prioritization. There is limited portfolio analysis, and real-time changes are not incorporated into the portfolio. The new project pipeline is addressed on at least a quarterly basis, although project cancellation is often still a problem.

Level 4 – Managed
The portfolio is analyzed against a variety of variables to better understand value and risk, and to help improve the prioritization process. Portfolio investment categories are established, and the portfolio is modeled factoring in risk. High-risk projects are allowed different funding patterns automatically. Projects are cancelled when appropriate.

The results of projects/programs are tracked after completion to determine how much value was actually created. Project and program budgets include not only contingency funds but also risk mitigation funds.

Rolling wave spending (that is, budgets approved by project milestone) has been accepted as a sound principle.

Level 5 – Optimized
Full financial data is available to every program and project manager. Large programs have their own financial staff to ensure that costs, forecasts and budgets are tracked on a program basis. Managerial financial reports are available that quantify and track the realization of projected return on investment.

1.4 Technology
Level 0 – Nonexistent
There is intermittent use of tools to support project scheduling by individual managers. Nothing in the culture reinforces the use of tools. Software choices usually are determined by the needs and familiarity of individual project managers (what they used in their last company or job); they often use spreadsheets.

Level 1 – Initial
Project scheduling tools and milestone reporting are adopted on a project-by-project basis, as opposed to a project-manager basis. Management begins to acknowledge that more-complex projects might need more-formal tools, but no organizationwide decisions are made. No project reporting or resource management tools are available.

Level 2 – Developing
With the increasing demand for Web-based tools across the enterprise, the IT organization begins to establish project collaboration and team work spaces. A single choice of project...
management software is available to all project managers, but use isn’t enforced.

Level 3 – Defined
Project management tools are standardized and collaboration environments are in place to provide project communication. At least lightweight portfolio management software has been chosen. Project time cards are either part of the corporate accounting system, or a separate project time-capture system is put in place. Software supporting a centralized resource pool with at least role descriptors and minimal skills is also in place.

Level 4 – Managed
Workflow is added to the toolset. Business users adopt tools as needed. Better resource management tools are available to take advantage of the new centers of excellence. Programs are given flexibility to optimize their toolsets to meet their unique requirements.

Level 5 – Optimized
A single, integrated system supports reporting, collaboration and analysis. Expert systems modeling specific capabilities are being explored; techniques, such as the efficient frontier (see Note 6), are considered for portfolio management.

1.5 Relationships
Level 0 – Nonexistent
Formal relationships at Level 0 are nonexistent. Because funding decisions for projects are hidden in operating budgets, there is limited to no support from finance. Program offices, if they exist, are staffed and run by outside vendors and consultants.

The IT organization’s orientation is focused solely on the network and the infrastructure, leaving the business units to outsource or subcontract application development.

The business often circumvents the IT organization, does not keep IT leaders involved and doesn’t accept the IT organization’s input as part of its decision process. The IT organization learns of business challenges and plans when it’s too late to have any impact.

The relationship between business units and subcontract program managers tends to be personal, which creates a risk of under-hiring if the resources in a manager’s personal network are inexperienced relative to the assignment.

Level 1 – Initial
Contract resources continue to manage large and complex projects and programs. The IT organization and business at this stage have identified a need to work on their relationship, although they are not sure how to go about it. Communication between the two entities is largely impersonal or via business analysts.

Communication mainly takes place in the form of spreadsheets and documents, and through secondhand information channels (such as the CFO). Businesspeople engage very little with IT people on a personal level because they don’t believe it’s worth their time to do so. Project management usually exists, and project managers interact with the business in a transactional, project-based fashion (providing updates and so on).

Note 6. Efficient Frontier
An efficient frontier refers to a theory that considers a universe of risky investments and explores what might be an optimal portfolio based on those possible investments.

Level 2 – Developing
With increased recognition of projects, finance begins to consider accounting for projects. Conflicts may arise between finance and project teams about what “on budget” means and the timing of expenditures.

Relationships with the business tend to be difficult at this maturity level. The project/program infrastructure is starting to develop, but the focus is inward on internal processes and controls – generally, at the expense of involvement with the business. Likewise, the business tends to shift responsibility to the project team and decrease the involvement from what was common in Level 1.

As processes become more mature at Level 2, IT and business interaction begins to occur largely through the relationship manager, an individual who serves as a liaison between business and the IT organization. However, at this level, relationship management is relatively immature – with the individuals in this role providing basic communication (order-taking type) services. Some interaction between the IT organization and the business occurs on the IT steering committees, especially for large programs.

Level 3 – Defined
The internal financial function is chartered within the IT organization or the appropriate project organization. A strong matrixed relationship exists between the IT financial function and the finance organization.

The role of the relationship manager is evolving – and the individuals who fulfill this role are gaining credibility and influence. They are no longer simply perceived as “order takers.” The organization has one or more IT steering committees or boards made up of IT and business people who get together on a regular basis to weigh large-scale IT initiatives.

Although the business still distrusts the IT organization to some extent, some key IT individuals have begun to penetrate the business circle. The business sees some advantages in interacting with IT staff – usually in the form of helping to shape IT priorities, and to better understand risk and assess the long-term viability and benefits of projects.

Level 4 – Managed
Programs are often multiyear and cross-functional. The relationship among the IT organization, business units and the program office will need to be worked out on a case-by-case basis because some program budgets exceed the operating budget normally given to IT. A similar issue will exist for large-scale programs being done elsewhere in the organization (most often, customer service and/or various projects run by the facilities department).
A dedicated communication function becomes critical with large programs because so many people are affected. Outreach functions need to be proactive.

The role of the relationship manager is evolving. Relationship managers are beginning to be regarded as trusted advisors to the business. IT and business groups meet frequently to discuss not only pending initiatives but also trends, business objectives and so on. IT staff and businesspeople begin to develop mutual respect for each other. They form relationships in which they have regard, concern and respect for each other on a personal level. In addition to their interactions during the business day, they spend time together outside of “official” venues. This may consist of having lunch or dinner together, or seeing each other outside of work.

Level 5 – Optimized
There is an expanded notion of value and cost, and the organization is cognizant of the need to incorporate social responsibility into decision making about programs and projects. The organization has also begun to embrace a more collaborative view of its environment and is looking at how its decisions affect its partners and supply chain.

Relationship managers are full-fledged consultants to the business, and are equally respected by the IT organization. IT staff and the business speak to each other on a routine basis, with the IT voices carrying equal credibility and weight as those of the business. On a personal level, a high degree of mutual respect and trust is evident.

2.0 Summary
PPM processes begin paying off once the basic organizational structures (that is, basic project management and basic project-centered financial management) are in place, which is initially at Level 2, with major benefits accumulating at Level 3. Prior to Level 2, some management of programs and portfolios occurs, but the more comprehensive or mature functions are generally limited to programs run in conjunction with outside consultants and some limited portfolio work that might be done in corporate finance.

The PPM Maturity Model can also point up issues that commonly accompany the life cycle rhythm of changes between centralization and decentralization of functions, such as IT. In general, project work is disbursed into the operating areas at Level 0 and Level 1, and then consolidated into a central organization at Level 2. At Level 3 and Level 4, there is a progressively increasing trend toward decentralization and federation of project organizations. At Level 5, some work is returned to a centralized enterprise portfolio.

The appropriate level of PPM maturity is always linked to an organization’s culture and business goals.

- **Level 0** can be perfectly appropriate for a startup or a service delivery organization embedded in a line of business. Progression beyond Level 0 will be dependent on fundamental changes to the business as a whole.
- **Level 1** can be appropriate for companies experiencing high change and high growth. Level 1 is highly dependent on individual excellence. Events often move too fast to depend on process; therefore, the organization has to rely on the “heroes” and the multitasking experts who are already in the organization.
- **Level 2** focuses on building repeatable processes, and often accomplishes this goal by focusing on operations rather than strategy. In most cases, Level 2 is difficult to operate over the long term, prompting most entrepreneurial companies to move forward to Level 3 or back to Level 1. Companies in a stable, more slowly moving market tend to stay at Level 2 until user dissatisfaction with process overload drags them kicking and screaming to Level 3 (where processes are once again reduced).
- **Level 3** is the one level where everyone agrees there is the right mix of processes, people and tools to get effective work done. Companies can remain indefinitely at Level 3 only with significant discipline. Entrepreneurial companies are usually challenged by growth and significant change that could drag them back to Level 1. Stable, slower-growing companies risk becoming so process-focused they lose track of results.
- **Level 4** conventionally focuses on measurements and quantitative measures. Done correctly, these techniques can be illuminating and transformative; done poorly, they can make an organization moribund, bureaucratic and ineffective.
- **Level 5**, the “pinnacle,” processes are optimized and fine-tuned to ensure that nothing breaks anywhere along the chain of system interactions. Level 5 is difficult to obtain and even more difficult to maintain because, similar to Level 1, much of the energy necessary to sustain a Level 5 is dependent on the mental models (see Note 7) of the people actually doing the work.

Note 7. Mental Models
According to Peter Senge in his book “The Fifth Discipline,” “Mental models are deeply ingrained assumptions, generalizations, or even pictures or images that influence how we understand the world and how we take action.”