PMI’s
PULSE OF THE PROFESSION IN-DEPTH REPORT

ORGANIZATIONAL AGILITY
Study Highlights

Slow economic growth and shifting global market priorities have created a complex, risk-laden business environment—one that rewards innovation yet also threatens to derail projects. And there’s little question that global volatility will continue into the foreseeable future, causing organizations to cancel or delay projects.

Such a turbulent environment demands organizational agility, a trend identified in PMI’s 2012 Pulse of the Profession report, based on an annual global study of more than 1,000 project, program and portfolio managers.

Taking a deeper dive into the topic, PMI’s 2012 Pulse of the Profession In-Depth Report: Organizational Agility focuses on how organizational agility impacts success and how to increase that agility.

To forge that agility, successful organizations are aggressively reshaping their culture and business practices on a three-pronged front:

- Rigorous change management to better adapt to shifting market conditions
- More collaborative and robust risk management
- Increased use of standardized project, program and portfolio practices

The report reveals a clear payoff: Highly agile organizations are twice as likely to see increased success with their new initiatives as their counterparts with low agility.

What Defines Organizational Agility?

Seize opportunities
Competitive edge
Flexible
Change rapidly
Responsive
Identify market shifts
Maintain fast pace

Here's how respondents described the practices or characteristics of organizational agility:

75% Quick response to strategic opportunities
64% Shorter decision/production/review cycles
59% Focus on change management
54% Integrating voice of the customer
53% Focus on risk management
53% Interdisciplinary project teams
53% Elimination of organization silos
51% Contingency planning
50% Use of iterative project management practices
46% Leveraging technology
Key Findings

A COMPETITIVE EDGE

Due to the volatile economic environment over the last two to three years, only 45 percent of organizations reported increased success with new initiatives.

SUCCESS WITH NEW INITIATIVES OVER THE PAST 2-3 YEARS

Those organizations that are successful report higher levels of organizational agility—giving them a powerful edge on the competition.

<table>
<thead>
<tr>
<th>HIGH AGILITY</th>
<th>LOW AGILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased Success</td>
<td>60%</td>
</tr>
</tbody>
</table>

Even before the economic downturn, the role of organizational agility in providing a competitive advantage was supported by a McKinsey survey. Nine out of 10 executives, spanning all regions and industry sectors, ranked organizational agility both as critical to business success and as growing in importance.

In addition, nearly 90 percent of executives surveyed by the Economist Intelligence Unit ranked organizational agility as vital for business success. One-half of all CEOs and CIOs agreed that rapid decision-making and execution are not only important, but also essential to a company’s competitive standing.

Agility may also be linked to profitable growth: Research conducted at the Massachusetts Institute of Technology suggests that agile firms grow revenue 37 percent faster and generate 30 percent higher profits than non-agile companies.
Done right, organizational agility provides rewards on multiple levels. PMI respondents identified the following benefits of increased organizational agility:

- Faster response to changing market conditions (71%)
- Overall improved organizational efficiency (55%)
- Improved customer satisfaction (54%)
- More profitable business results (44%)
- Organizational changes made more quickly or efficiently (38%)
- Faster completion of projects (29%)
- Improved employee satisfaction (27%)
- Cost savings (25%)
- Improved risk identification and mitigation (25%)

There is, of course, no magic bullet for staying ahead, especially during tumultuous economic times. However, organizational agility is proving to be a powerful tool in ensuring success now and in the future.

**The Takeaway:** Greater organizational agility leads to better performance—providing organizations with a powerful edge on the competition.

**HOW TO IMPROVE ORGANIZATIONAL AGILITY**

Organizations cannot simply declare themselves more agile. They must make a concerted effort to transform three key areas:

1. Implement change management best practices
2. Implement risk management best practices
3. Standardize portfolio, program and project management practices
1. KEEP UP WITH CHANGE

Whether due to anemic economic growth or the constantly morphing digital landscape, the business environment is changing at an unprecedented pace. Yet some organizations manage that volatility better than others through aggressive change management.

Organizations effective at change management are more agile, not only reducing the impact of external changes, but also capitalizing on the opportunities they may present.

The Pulse of the Profession In-Depth Report: Organizational Agility reveals that 92 percent of organizations highly effective at change management report high or moderate agility. That’s almost three times more than organizations that report minimally effective change management.

BEST PRACTICES

Those organizations most effective in change management do three things better than their minimally effective counterparts:

Monitor and act on external environment

- Detect and evaluate changes in the external environment
  - Most effective organizations: 52%, Minimally effective organizations: 7%

- Identify and leverage significant changes
  - Most effective organizations: 39%, Minimally effective organizations: 12%

Standardize change management

- Establish formal change management processes as management strategy
  - Most effective organizations: 88%, Minimally effective organizations: 26%

- Implement formal change management processes both inside and outside of project
  - Most effective organizations: 75%, Minimally effective organizations: 16%

Organize to best leverage change management

- Establish a project management office
  - Most effective organizations: 71%, Minimally effective organizations: 49%

- Work across organizational silos
  - Most effective organizations: 67%, Minimally effective organizations: 14%

- Assign managers whose primary responsibility is change management
  - Most effective organizations: 50%, Minimally effective organizations: 11%

The Takeaway:

Organizations effective at change management are more agile.
2. MASTER RISK

When organizations are forced to make rapid-fire decisions, they can sometimes lose control. Effective risk management helps executives and project leaders identify and mitigate the factors that could sabotage success.

The findings on risk management echo those on change management, with 90 percent of organizations effective at risk management reporting high or moderate agility. That’s more than double the organizations that report minimally effective risk management.

BEST PRACTICES

The differences between organizations reporting highly effective risk management and those reporting minimally effective risk management follow a similar pattern to the change management findings above.

Once again, highly effective organizations do three things better than their minimally effective counterparts:

- **Monitor and act on external environment**
  - Detect and evaluate risks in the external environment
    - Most effective organizations: 72%
    - Minimally effective organizations: 2%
  - Identify and leverage significant risks
    - Most effective organizations: 39%
    - Minimally effective organizations: 6%

- **Standardize risk management**
  - Integrate voice of the customer
    - Most effective organizations: 90%
    - Minimally effective organizations: 36%
  - Establish formal risk management process used within and outside of projects
    - Most effective organizations: 89%
    - Minimally effective organizations: 20%
  - Conduct project task simplification
    - Most effective organizations: 84%
    - Minimally effective organizations: 34%
  - Conduct contingency planning
    - Most effective organizations: 80%
    - Minimally effective organizations: 27%

- **Organize to best leverage risk management**
  - Establish a project management office
    - Most effective organizations: 71%
    - Minimally effective organizations: 47%
  - Assign managers whose primary responsibility is risk management
    - Most effective organizations: 60%
    - Minimally effective organizations: 16%
3. STANDARDIZE PRACTICES

Faced with changing economic conditions, priorities and demands, organizations have to act fast. But a solid foundation of portfolio, program and project management practices is still a must.

When organizations standardize their project management practices throughout all departments, they are three times as likely to report high agility than their counterparts that don’t.

The study also shows that organizations that always or often use portfolio management are three times more likely to report they are highly agile than those that don’t use portfolio management.

The report further highlights the need to improve agility. Only 12 percent of organizations characterized themselves as highly agile. But the data also reveals standardized practices that highly agile organizations said they use always or often:

<table>
<thead>
<tr>
<th>Standardized practices through all departments</th>
<th>Standardized practices not through all departments</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Agility</td>
<td>22%</td>
</tr>
<tr>
<td>Moderate Agility</td>
<td>60%</td>
</tr>
<tr>
<td>Low Agility</td>
<td>18%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Use portfolio management always/often</th>
<th>Use portfolio management rarely/never</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Agility</td>
<td>18%</td>
</tr>
<tr>
<td>Moderate Agility</td>
<td>57%</td>
</tr>
<tr>
<td>Low Agility</td>
<td>25%</td>
</tr>
</tbody>
</table>

- **26%** Apply iterative project management concepts to portfolio management
- **23%** Iterative techniques*
- **22%** Project task simplification*
- **22%** Apply iterative project management concepts to program management
- **18%** Portfolio management*
- **18%** Interdisciplinary project teams*
- **17%** Integrate voice of the customer*
- **17%** Risk management*
- **17%** Change management*
- **17%** Resource management*
- **17%** Change process used within and outside of projects
- **16%** Program management*
- **15%** Risk process used within and outside of projects
- **14%** Formal risk process
- **14%** Formal change process
- **12%** Study Average

*Use always or often

---

**The Takeaway:**

Organizations that use standardized practices are more agile.
THE PAYOFF

Agile organizations lead the pack. If project leaders and executives work together to build greater agility, they can solve problems, take smarter risks, and deliver innovative products and solutions to market faster—all leading to greater success.

Consider this: The average percentage of projects completed on time, on budget, achieving business objectives and forecasted ROI is significantly greater in organizations reporting high agility than those reporting low agility.

PROJECT SUCCESS METRICS BY LEVEL OF AGILITY

<table>
<thead>
<tr>
<th>Metric</th>
<th>High Agility</th>
<th>Low Agility</th>
</tr>
</thead>
<tbody>
<tr>
<td>On time</td>
<td>73%</td>
<td>44%</td>
</tr>
<tr>
<td>On budget</td>
<td>75%</td>
<td>47%</td>
</tr>
<tr>
<td>Meeting goals and business goals</td>
<td>83%</td>
<td>59%</td>
</tr>
<tr>
<td>Meeting/exceeding ROI</td>
<td>71%</td>
<td>40%</td>
</tr>
</tbody>
</table>
CONCLUSIONS AND IMPLICATIONS

PMI’s Pulse of the Profession In-Depth Report: Organizational Agility demonstrates that organizations are increasing their success rates on new projects, even in a weak global economy, with high agility. To survive—and indeed thrive—in today’s competitive marketplace, organizations must build their agility by implementing risk management, change management and standardized practices across the enterprise.

PRACTICES THAT LEAD TO AGILITY LEAD TO GREATER SUCCESS

By investing in the three core practices outlined above, organizations improve agility—giving them that elusive edge in a fast-paced, dynamic market.

The End Result

Greater Organizational Agility = Better Performance = Improved Competitive Advantage
ABOUT THE STUDY
PMI’s 2012 *Pulse of the Profession In-Depth Report: Organizational Agility* was conducted in August 2012 among 1,239 practitioners around the world who are involved in project management.

THE ORGANIZATIONS REPRESENTED ARE LOCATED IN:

- **North America**: 48%
- **Europe, the Middle East and Africa**: 22%
- **Asia-Pacific**: 15%
- **Latin America and the Caribbean**: 15%

THEIR ANNUAL REVENUE IS:

- **32%**: Less than US$50 million
- **28%**: Between US$50 million and US$1 billion
- **13%**: Between US$1 billion and US$5 billion
- **17%**: Over US$5 billion
- **10%**: Did not report their revenues

OF THOSE SURVEYED:

- **72%** fill a project management role
- **18%** are executives
- **8%** are functional managers

OF THOSE FILLING A PROJECT MANAGEMENT ROLE:

- **22%** are project managers
- **20%** are directors of project management/project management office
- **12%** are program managers
- **8%** are portfolio managers
- **7%** are project management consultants
- **4%** are project management specialists

SOME OF THE INDUSTRIES REPRESENTED ARE:

- **Information Technology**: 23%
- **Consulting**: 13%
- **Financial Services**: 11%
- **Government**: 6%
- **Telecom**: 6%
- **Construction**: 6%