ORGANISATIONAL 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 organisations to cancel or delay projects.

Such a turbulent environment demands organisational 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, programme and portfolio managers.

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

To forge that agility, successful organisations 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 standardised project, programme and portfolio practices

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

Organisations report they are less agile today

<table>
<thead>
<tr>
<th>Year</th>
<th>High Agility</th>
<th>Moderate Agility</th>
<th>Low Agility</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>23%</td>
<td>61%</td>
<td>15%</td>
</tr>
<tr>
<td>2012</td>
<td>12%</td>
<td>54%</td>
<td>34%</td>
</tr>
</tbody>
</table>

What Defines Organisational Agility?

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

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

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

A COMPETITIVE EDGE
Due to the volatile economic environment over the last two to three years, only 45 per-
cent of organisations reported increased success with new initiatives.

SUCCESS WITH NEW INITIATIVES OVER THE PAST 2-3 YEARS

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

Even before the economic downturn, the role of organisational agility in providing
a competitive advantage was supported by a McKinsey survey. Nine out of 10 execut-
ives, spanning all regions and industry sectors, ranked organisational 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 organisational 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, organisational agility provides rewards on multiple levels. PMI respondents identified the following benefits of increased organisational agility:

- Faster response to changing market conditions: 71%
- Overall improved organisational efficiency: 55%
- Improved customer satisfaction: 54%
- More profitable business results: 44%
- Organisational 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, organisational agility is proving to be a powerful tool in ensuring success now and in the future.

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

**HOW TO IMPROVE ORGANISATIONAL AGILITY**
Organisations 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. Standardise portfolio, programme 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 organisations manage that volatility better than others through aggressive change management.

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

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

BEST PRACTICES
Those organisations 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: 52% (most effective) vs. 7% (minimally effective)
  - Identify and leverage significant changes: 39% (most effective) vs. 12% (minimally effective)

- **Standardise change management**
  - Establish formal change management processes as management strategy: 88% (most effective) vs. 26% (minimally effective)
  - Implement formal change management processes both inside and outside of project: 75% (most effective) vs. 16% (minimally effective)

- **Organise to best leverage change management**
  - Establish a project management office: 71% (most effective) vs. 49% (minimally effective)
  - Work across organisational silos: 67% (most effective) vs. 14% (minimally effective)
  - Assign managers whose primary responsibility is change management: 50% (most effective) vs. 11% (minimally effective)

**The Takeaway:**
Organisations effective at change management are more agile.
2. MASTER RISK

When organisations 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 organisations effective at risk management reporting high or moderate agility. That’s more than double the organisations that report minimally effective risk management.

BEST PRACTICES

The differences between organisations 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 organisations do three things better than their minimally effective counterparts:

Monitor and act on external environment

<table>
<thead>
<tr>
<th></th>
<th>Most effective organisations</th>
<th>Minimally effective organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detect and evaluate</td>
<td>72%</td>
<td>2%</td>
</tr>
<tr>
<td>in the external</td>
<td></td>
<td></td>
</tr>
<tr>
<td>environment</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Identify and leverage significant risks

<table>
<thead>
<tr>
<th></th>
<th>Most effective organisations</th>
<th>Minimally effective organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>39%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Establish and use formal risk management process

<table>
<thead>
<tr>
<th></th>
<th>Most effective organisations</th>
<th>Minimally effective organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrate voice of</td>
<td>90%</td>
<td>36%</td>
</tr>
<tr>
<td>the customer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Establish formal</td>
<td>89%</td>
<td>20%</td>
</tr>
<tr>
<td>risk management</td>
<td></td>
<td></td>
</tr>
<tr>
<td>process used within</td>
<td>84%</td>
<td>34%</td>
</tr>
<tr>
<td>and outside of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>projects</td>
<td>80%</td>
<td>27%</td>
</tr>
</tbody>
</table>

Organise to best leverage risk management

<table>
<thead>
<tr>
<th></th>
<th>Most effective organisations</th>
<th>Minimally effective organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Establish a project</td>
<td>71%</td>
<td>47%</td>
</tr>
<tr>
<td>management office</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assign managers</td>
<td>60%</td>
<td>16%</td>
</tr>
<tr>
<td>whose primary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>responsibility is</td>
<td></td>
<td></td>
</tr>
<tr>
<td>risk management</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Takeaway:
Organisations effective at risk management are more agile.
3. STANDARDISE PRACTICES

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

When organisations standardise 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 organisations 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 organisations characterised themselves as highly agile. But the data also reveals standardised practices that highly agile organisations said they use always or often:

<table>
<thead>
<tr>
<th></th>
<th>Standardised practices through all departments</th>
<th>Standardised practices not through all departments</th>
</tr>
</thead>
<tbody>
<tr>
<td>High Agility</td>
<td>22%</td>
<td>7%</td>
</tr>
<tr>
<td>Moderate Agility</td>
<td>60%</td>
<td>51%</td>
</tr>
<tr>
<td>Low Agility</td>
<td>18%</td>
<td>42%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<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>
<td>6%</td>
</tr>
<tr>
<td>Moderate Agility</td>
<td>57%</td>
<td>46%</td>
</tr>
<tr>
<td>Low Agility</td>
<td>25%</td>
<td>48%</td>
</tr>
</tbody>
</table>

The Takeaway: Organisations that use standardised practices are more agile.
THE PAYOFF
Agile organisations 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 organisations reporting high agility than those reporting low agility.

PROJECT SUCCESS METRICS BY LEVEL OF AGILITY

- **On time**: 73% (High Agility) vs 44% (Low Agility)
- **On budget**: 75% (High Agility) vs 47% (Low Agility)
- **Meeting goal and business objectives**: 83% (High Agility) vs 59% (Low Agility)
- **Meeting/exceeding ROI**: 71% (High Agility) vs 40% (Low Agility)
CONCLUSIONS AND IMPLICATIONS

PMI’s Pulse of the Profession In-Depth Report: Organisational Agility demonstrates that organisations 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, organisations must build their agility by implementing risk management, change management and standardised practices across the enterprise.

PRACTICES THAT LEAD TO AGILITY LEAD TO GREATER SUCCESS

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

The End Result

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

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 programme managers
- 8% are portfolio managers
- 7% are project management consultants
- 4% are project management specialists

THE ORGANISATIONS REPRESENTED ARE LOCATED IN:
- North America 48%
- Europe, the Middle East and Africa 22%
- Asia-Pacific 15%
- Latin America and the Caribbean 15%
- Other regions 20%

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
- 10% Over US$5 billion
- 17% Did not report their revenues

SOME OF THE INDUSTRIES REPRESENTED ARE:
- Information Technology 23%
- Consulting 13%
- Financial Services 11%
- Government 6%
- Telecom 6%
- Construction 6%