PMI's

PULSE OF THE PROFESSION IN-DEPTH REPORT

THE HIGH COST OF LOW PERFORMANCE:
THE ESSENTIAL ROLE OF COMMUNICATIONS

Project Management Institute

MAY 2013

EXECUTIVE SUMMARY

In the context of organizational project and program management, communications is a core competency that, when properly executed, connects every member of a project team to a common set of strategies, goals and actions. Unless these components are effectively shared by project leads and understood by stakeholders, project outcomes are jeopardized and budgets incur unnecessary risk.

As reported by PMI's *2013 Pulse of the Profession™,* an organization's ability to meet project timelines, budgets and especially goals significantly impacts its ability to survive—and even thrive. As they address the urgent need to improve project success rates, organizations are faced with a complex and risky environment that includes:

- A "do more with less" economic climate
- Expanding global priorities
- Necessity to enable innovation

The *Pulse* study also revealed that the most crucial success factor in project management is **effective communications to all stakeholders**—a critical core competency to all organizations. In a complex and competitive business climate, organizations cannot afford to overlook this key element of project success and long-term profitability.

Business research from Forbes, PricewaterhouseCoopers LLC and Towers Watson shows that organizations are very aware of the positive impact that effective communications has on projects, programs, and portfolios. However, what hasn't been clear until now is how much of an impact ineffective communications has on project outcomes and subsequent business success. PMI's *Pulse of the Profession™ In-Depth Report: The Essential Role of Communications* provides that eye-opening insight.

PMI's 2013 *Pulse of the Profession™* report revealed that US$135 million is at risk for every US$1 billion spent on a project. **Further research on the importance of effective communications uncovers that a startling 56 percent (US$75 million of that US$135 million) is at risk due to ineffective communications.** (See Figure 1)

Figure 1. The amount at risk for every US$1 billion spent on a project.

Despite this risk, many organizations admit that they are currently not placing adequate importance on effectively communicating critical project information, especially when explaining the business benefits of strategic initiatives to stakeholders at all levels of a project. Organizations cannot execute strategic initiatives unless they can effectively communicate their strategic alignment and business benefits.

PMI's *Pulse* communications research finds that effective communications leads to more successful projects, allowing organizations to become high performers (completing an average of 80 percent of projects on time, on budget and meeting original goals). These organizations risk 14 times fewer dollars than their low-performing counterparts. The report also focuses on communications challenges that prevent organizations from accomplishing more successful projects, and identifies key initiatives that can help organizations improve their communication as they face their own unique challenges in such a complex and risky environment.

©2013 Project Management Institute, Inc. The Essential Role of Communications, May 2013.

EXECUTIVES AND PROJECT MANAGERS AGREE: COMMUNICATIONS IS CRITICAL

Executives and project managers around the world agree that poor communications contributes to project failure. The Forbes Insights 2010 Strategic Initiatives Study "Adapting Corporate Strategy to the Changing Economy," found that nine out of ten CEOs believe that communications is critical to the success of their strategic initiatives, and nearly half of respondents cite communications as an integral and active component of their strategic planning and execution process. And project managers see it similarly from their side; according to PMI's *Pulse* research, 55 percent of project managers agree that effective communications to all stakeholders is the most critical success factor in project management.

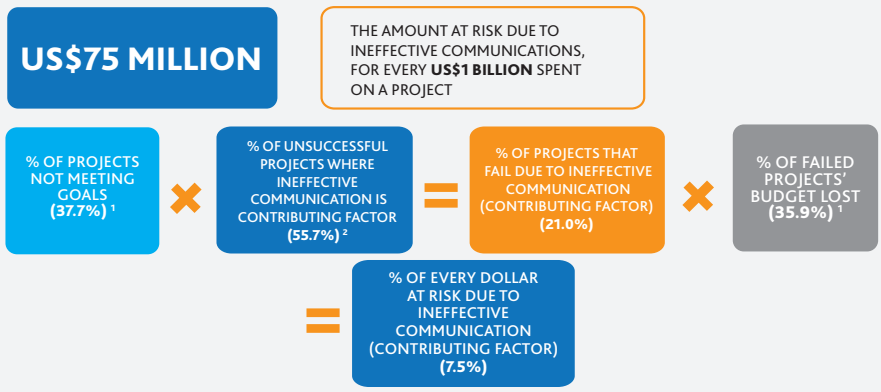

Figure 2. Ineffective communication puts US$75 million at risk.

The third global PricewaterhouseCoopers LLC (PwC) survey on the current state of project management reveals that, according to executives, effective communications is associated with a 17 percent increase in finishing projects within budget.

Similarly, the Towers Watson 2011-2012 "Change and Communication ROI Study Report" shows that companies that have highly-effective communications practices are 1.7 times more likely to outperform their peers financially.

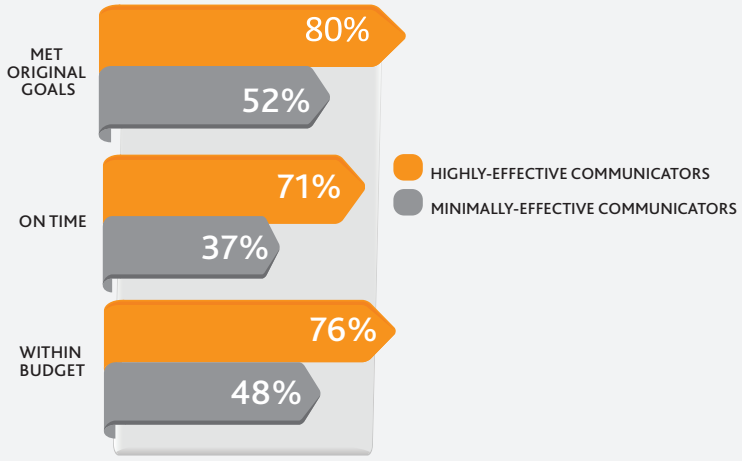

Figure 3. Organizations that communicate more effectively have more successful projects.

Clearly, organizations are very aware of just how critical effective communications is to the success of strategic projects and, ultimately, organizational success. However, the *Pulse* communications research finds that only one in four organizations can be described as highly-effective communicators. This suggests that the majority of organizations have opportunities to identify problem areas and chart a course to improve the effectiveness of their project communications. The *Pulse* communications report quantifies just how much effective communications can lead to more successful projects, and just how much ineffective communications can cost an organization.

Sources:
[1] PMI's 2013 Pulse of the Profession™
[2] PMI's Pulse of the Profession™ In-Depth: The Essential Role of Communications

©2013 Project Management Institute, Inc. The Essential Role of Communications, May 2013.

THE REAL RISKS OF INEFFECTIVE COMMUNICATIONS

Not all projects succeed. On average, two in five projects do not meet their original goals and business intent, and one-half of those unsuccessful projects are related to ineffective communications. (See Figure 4) This translates to US$75 million at risk for every US$1 billion spent – more than 50 percent of the US$135 million reported by PMI's *Pulse* report. (See Figure 2)

Not only is an organization risking dollars, but it is risking project success rates. Our research proves that ineffective communications leads to fewer successful projects; organizations that are minimally-effective communicators report significantly fewer projects that meet original goals, come in on time, and complete within budget. (See Figure 3) Organizations must take ownership of this problem and spearhead initiatives that will improve communications and prevent additional project failures.

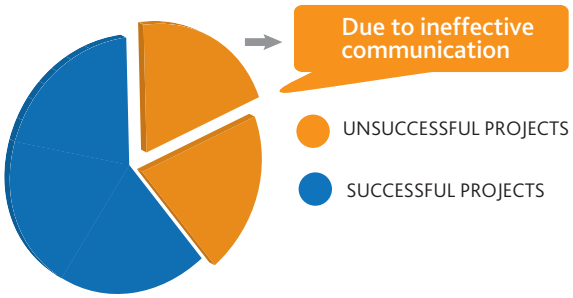

Figure 4. One out of five projects is unsuccessful due to ineffective communications.

THE COMMUNICATIONS GAP, LANGUAGE CHALLENGES

Results reveal that while all aspects of project communications can be challenging to organizations, the biggest problem areas are:

» A gap in understanding **the business benefits.**

» Challenges surrounding the **language** used to deliver project-related information, which is often unclear and peppered with project management jargon.

The Gap Surrounding Business Benefits

PMI's research indicates that organizations recognize that effective communication is an *important* component of success. However, it also reveals that understanding the importance of communication does not always guarantee *successful* communications. Our study finds a disconnect within organizations; while business owners and executive sponsors report that communications about business benefits and alignment to strategy is communicated, project managers do not agree. PMO directors and senior project leaders in the organization must take ownership of this gap and translate the business benefits of strategic initiatives to the project teams. (See Figure 5)

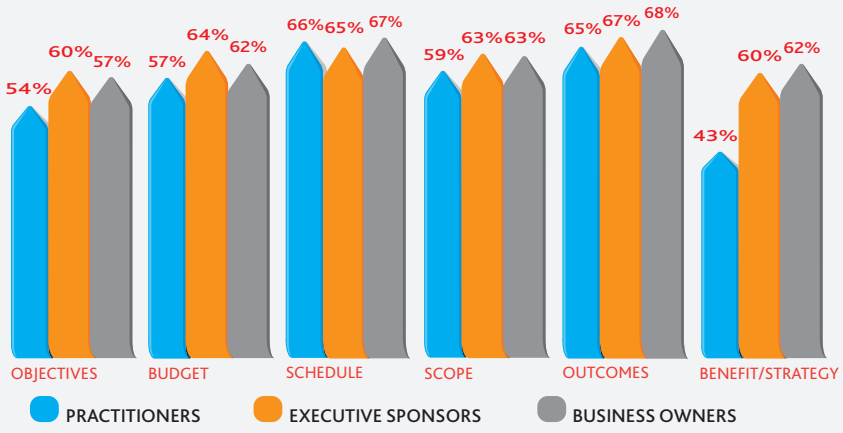

Figure 5. Compared to project managers, business owners and executive sponsors report that their organizations are communicating business benefit/ contribution to strategy of projects more frequently. (Average Top 2 Box (Virtually Always/ Most of the Time))

"Everyone needs to understand the long-term goal so they can know how they're contributing, how they're making an impact."

Jennifer Georgius,
Program Manager at TD Bank

©2013 Project Management Institute, Inc. The Essential Role of Communications, May 2013.

When companies close the gap between the developers of the strategy and those that must execute it, projects are more successful. Organizations that report more frequent project communications, particularly surrounding the business benefit and contribution to strategy, average significantly more successful projects versus organizations that communicate that same information less frequently. (See Figure 6)

The Pitfalls of Poor Language

Research findings show that organizations have difficulty communicating with the appropriate levels of *clarity and detail*. This difficulty is likely exacerbated by the divide between each key audience and its understanding (or lack thereof) of project-specific, technical language. (See Figure 7)

Not surprisingly, this trouble spot also impacts the success of an organization's strategic initiatives. The data show that an average of four out of five projects that are communicated with sufficient clarity and detail—communicated in the language of the audience—meet their original business goals and intent, compared to just over half of projects when communications are not sufficiently clear and detailed. (See Figure 6)

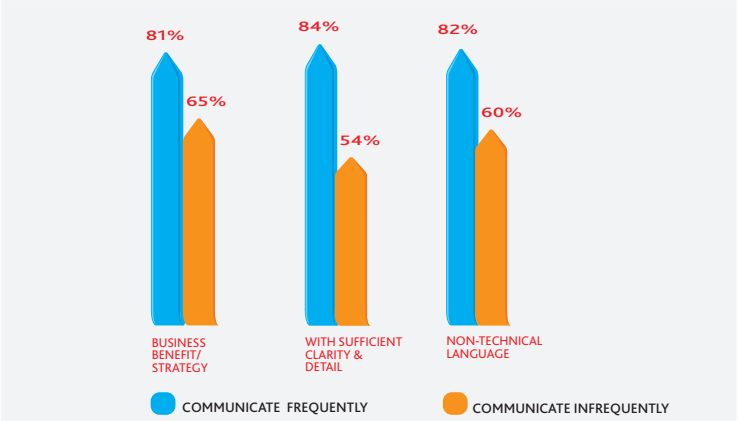

Figure 6. Frequent communication that is clear and relevant, and frequent communication about business benefit and contribution to strategy leads to more successful projects. (Percent of projects meeting original goals and business intent)

From these indicators, it is evident that project success is dependent upon communicating the correct information to the appropriate stakeholders, using clear and relevant language that resonates with the audience.

IMPROVE COMMUNICATIONS TO MAXIMIZE SUCCESS AND MINIMIZE RISK

Clearly, organizations that communicate more effectively have more successful projects. Findings show that high performers are more effective communicators. Thus, it is no surprise that highly-effective communicators are five times more likely to be high performers[3] than minimally-effective communicators. And as reported in the *Pulse* study, high-performing organizations put 14 times fewer dollars at risk. These findings suggest that low performers can clearly benefit from improving their communications practices, as improvements will enable them to realize more successful projects, and fewer dollars at risk. (See Figure 8)

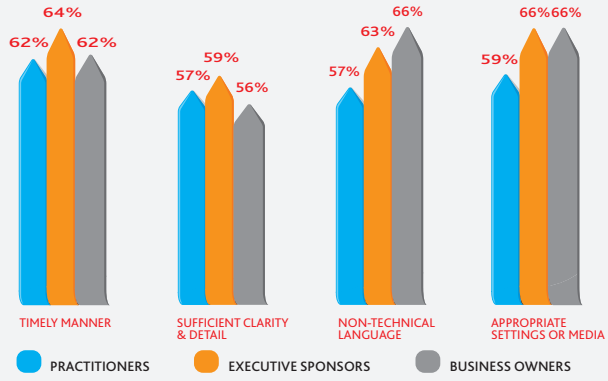

Figure 7. The most difficulty reported is communicating with the appropriate clarity/ detail, while the largest gap is communicating with universally understood language. (Average Top 2 Box (Virtually Always/ Most of the Time))

Figure 8. Communication effectiveness and high performance: those who communicate more effectively are more likely to be high performers.

[3] More projects that finish on time, within the original budget, and with meeting the original goals and business intent of the project are the hallmarks of high-performing organizations, as they average 80 percent or more of projects for these three measures (compared to low performers' average of 60 percent or fewer projects for all three measures.)

©2013 Project Management Institute, Inc. The Essential Role of Communications, May 2013.

Data show that high-performing organizations distinguish themselves by excelling in all quantified aspects of project communications, specifically with regard to the gap and trouble spots noted earlier.

- High-performing organizations are better at communicating key project topic areas, including objectives, budget, schedule, scope, outcomes and the project's business benefit. (See Figure 9)
- Additionally, high-performing organizations are notably better at delivering project communications in a timely manner, providing sufficient clarity and detail, using non-technical language, and choosing appropriate settings or media for the delivery. (See Figure 10)
- High-performing organizations use formal communications plans *more frequently,* and *more effectively* compared to low-performing organizations. High performers create formal communications plans for nearly twice as many projects. (See Figure 11) And, project communications plans for high-performing organizations are more than three times as effective compared to their low-performing counterparts. (See Figure 12)

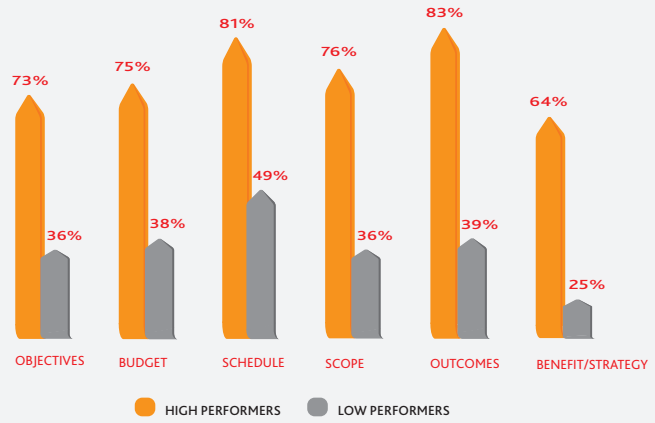

Figure 9. High performers communicate more frequently across all topics, including communicating the strategy/business benefit. (Average Top 2 Box (Virtually Always/ Most of the Time))

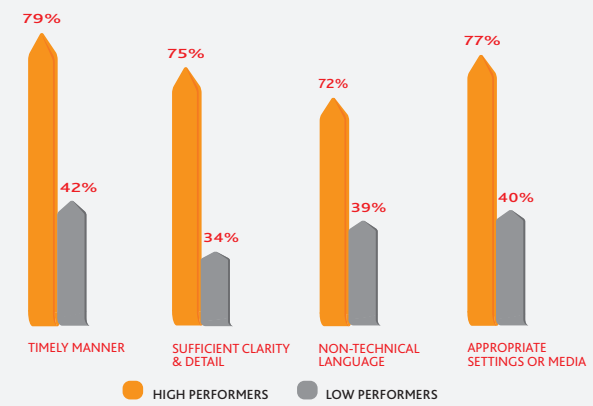

Figure 10. High performers communicate more frequently than low performers in all ways of delivering the message. (Average Top 2 Box (Virtually Always/ Most of the Time))

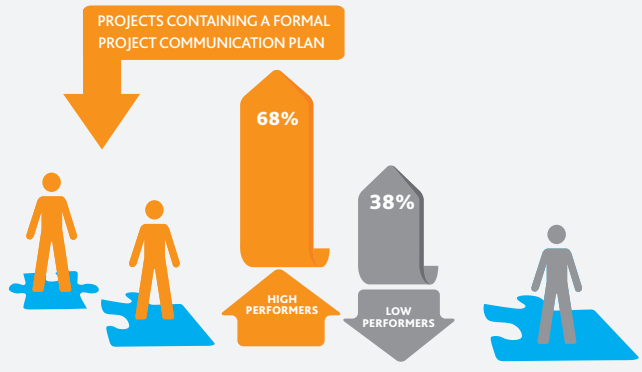

Figure 11. High performers create formal communications plans for nearly twice as many projects.

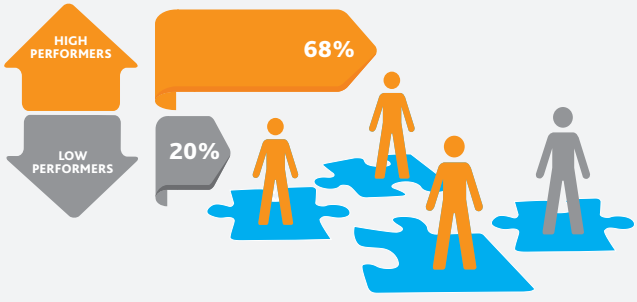

Figure 12. Project communications plans for high-performing organizations are more than three times as effective.

©2013 Project Management Institute, Inc. The Essential Role of Communications, May 2013.

EFFECTIVE STAKEHOLDER COMMUNICATIONS LEAD TO MORE EFFECTIVE PROJECTS

Communications are impacted when different stakeholder groups use different jargon and language. This communications issue can also lead to different expectations for a project, which ends up impacting the bottom line.

"… In any project you have to adjust the language depending on the audience [in one example] there is a technical team who understands the technical terms very well but doesn't understand all the project management terms. So the project management terms need to be translated into terms they can understand."

"At the middle management level, they understand 'operations.' They understand more details, and probably these are the people that I can use the project management terminology, and some technical terminology, with – but not deep, deep technical terminology… Senior management, they speak the language of money. They want to know 'hard numbers,' 'yes or no,' … They are more focused on the 'business value,' on 'cost and benefits… but not so much on the project management terminology. So in that case I also have to translate that language into terms they are familiar with and that they want to hear – which most of the time is about money."

"A few years ago we had a major media project involving new technology and it was very complex. Communication was confusing because it was new technology and there were high expectations. So the sales department was very good at communicating a vision and communicating some benefits... But the technical language in the communications wasn't that clear… So when I received the project, I started to put together all the parts, going through the contract and preparing all the resources. And I realized that there was a disconnect between the vision and what the solution was going to deliver. Because of the lack of technical knowledge and because of the complexity in the contract and how the proposal was created, there were many inaccurate assumptions."

"So the first step in the project was clarifying that for senior management. There was a misunderstanding about what the solution was going to deliver. ***After many conversations between the technical people and senior management we decided that instead of being one project it would be three phases in order to meet the deliverables desired by senior management."***

- Victor Olvera, Program Manager, Cisco Systems

It is clear that high-performing organizations are far more *successful* at communications. Not surprisingly, the study also reveals that high performers realize the critical *importance* of communications to the success of their projects—much more so than low-performing organizations (69 percent versus 58 percent). And, placing importance on communications isn't the only area in which high performers excel; high-performing organizations report all project management-related tasks as much more important compared to their low-performing counterparts. (See Figure 13)

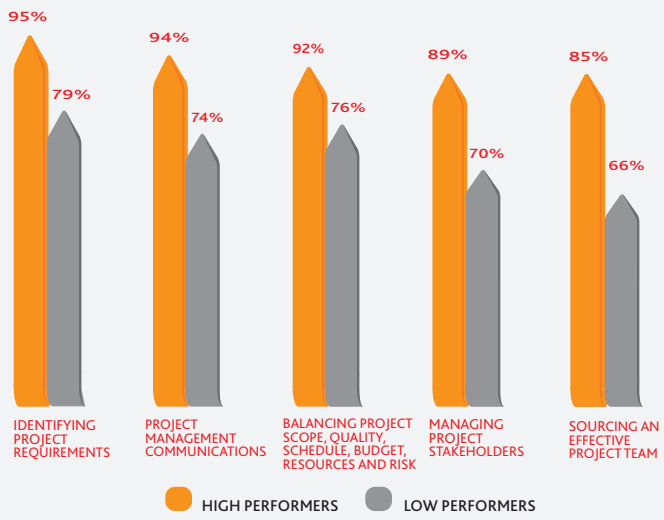

Figure 13. High-performing organizations report that project-management related tasks are much more important compared to their low-performing counterparts. (Percent Top 2 Box (Critically/ Very Important))

©2013 Project Management Institute, Inc. The Essential Role of Communications, May 2013.

THE WAY FORWARD

Organizations that want to improve their communications and become high performers, should consider the following strategies.

1. Close the communications gap around business benefits.

PMO directors and senior project leaders need to take ownership and better communicate the strategic and business benefits of projects to those responsible for their implementation. When the gap is closed, projects are more successful. High performers are able to optimize outcomes by relaying this information to project teams frequently and effectively.

2. Tailor communications to different stakeholder groups.

Many organizations have difficulty communicating with the appropriate level of clarity and detail and in the appropriate language to all stakeholders. High performers understand that various stakeholder groups use language differently and tailor communications accordingly; they also recognize that all groups need to have a clear vision for the project and, ultimately, organizational success.

3. Acknowledge the value of project management, including project management communications.

The *Pulse* reports that most organizations undervalue project management, which results in poor project performance. Findings show that high performers place more importance on project management tasks, particularly project management communications. As demonstrated, successful communications are more apparent in high-performing organizations, because they recognize the importance and value of effective project management communications, and project management.

4. Use standardized project communications practices, and use them effectively.

The *Pulse* reports that high performers are almost three times more likely than low-performing organizations to use standardized practices through the organization, and have better project outcomes as a result. One form of standardized project management practice is a formal communications plan, which, though standardized, must be adaptable and suitable to all stakeholders. Findings show that high performers are using formal project communications plans more frequently and more effectively, allowing them to successfully operate in a complex and competitive business climate.

With US$75 million at risk due to ineffective communications – more than 50 percent of the US$135 million for every US$1 billion spent – the need for effective communications for project and ultimately, organization success, is clear. Project success is dependent upon communicating the right information to the appropriate stakeholders using clear and relevant language that resonates with the audience. Ultimately, more effective communications leads to improved project and program management, more successful projects, high performance, and fewer dollars at risk.

CONSISTENT COMMUNICATIONS FROM PROJECT TO PROJECT LEAD TO EFFICIENCIES

Consistent communications is critical to any successful project. Communications protocol developments and appropriate information and knowledge distribution allows the team to meet original business goals efficiently. The more information that is shared across the organization regarding a project or deliverable, the chances of scope creep diminishes.

IBM's "Keys to Building a Successful Enterprise Project Management Office" found: "One consistent project management delivery approach across IBM that improves delivery timeliness and delivery timeliness and deliverable quality while reducing project costs. Communication is simplified and more timely with standardized tools, formats, and terminology. Project managers across IBM benefit from others' experience so they no longer waste time reinventing techniques already successfully used."

©2013 Project Management Institute, Inc. The Essential Role of Communications, May 2013.

PMI's *Pulse of the Profession™ In-Depth Report: The Essential Role of Communications* research was conducted in March 2013 among 742 project management practitioners with three or more years of project management experience and who are currently working in project management full-time, and among 148 executive sponsors and 203 business owners who have been involved in large capital projects with total budgets of US$250,000 or more in the past three years and are within organizations with a minimum of 1,000 employees worldwide.

PROJECT OWNERS NEED TO SPEAK THE LANGUAGE OF THE C-SUITE

Communicating to an organization's top leadership requires sensitivity to both language and form with the right amount of detail is critical to success.

In "Speak the Language of Leadership" by Phil Bristol and Gary Yeatts, they explain "With an expertise in the science of project management, a project manager (PM) communicates complex concepts using a highly defined, specialized language… have specific meaning and help project management professionals converse concerning the technical aspects of a project. This specialized project management language assists a PM to understand then apply knowledge in a particular project."

"Just as the technical language for managing a project helps to define outcomes, the language of leadership assists a PM to understand and apply communication skills in a way, which creates trust, manages conflict, invites commitment, and embraces accountability while producing the right results. Successful PMs have both, project management and leadership skills."

Director of Project Management at AT&T Jason Gadsby notes "I think the folks that fail are not tying it back to our senior level strategy."

©2013 Project Management Institute, Inc. The Essential Role of Communications, May 2013.

Project Management Institute — Headquarters | 14 Campus Blvd, Newtown Square, PA 19073-3299 USA
Toll number: +1 610 356 4600 | Toll free number: +1 855 746 4849
Fax: +1 610 482 9971 | PMI.org | #pmipulse