

Mastering Diverse and Dispersed Teams: Secrets of the Best Project Executors

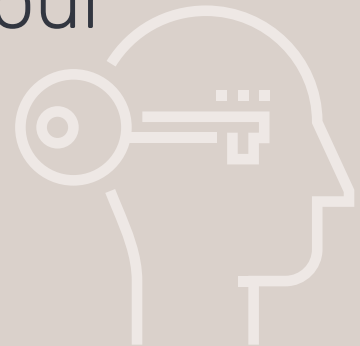
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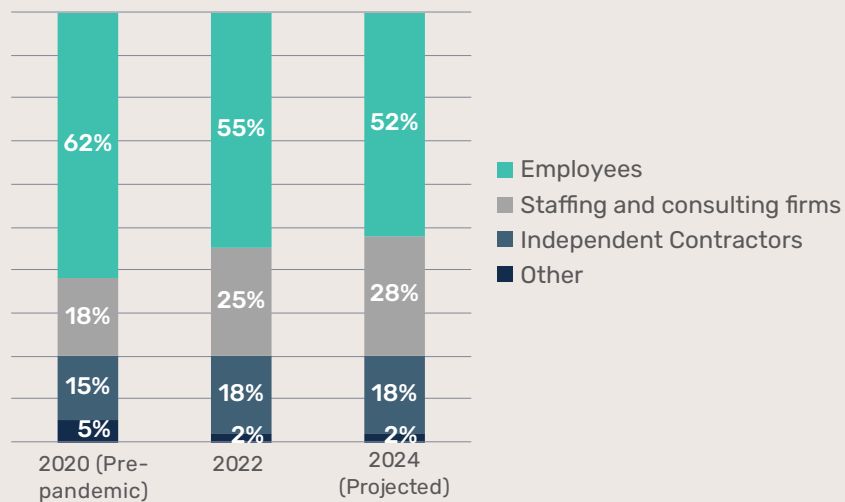
To withstand the crippling aftereffects of COVID-19, companies accelerated the already rapid digitization of business, making three to four years' worth of progress in mere months.¹ They launched projects to create new operational efficiencies and meet changing customer expectations across every aspect of business: finance and accounting, risk management and compliance, manufacturing and logistics, employee and customer experience, etc.

The continuous stream of projects that companies now navigate even has a name: "The Project Economy."² To understand the biggest challenges large companies face in executing concurrent mission-critical projects,³ we surveyed 404 senior executives in North America, Europe and Asia Pacific across four global industries (see the Methodology on page 7). The results reveal how, where and why most companies are struggling.

Our study found that only about one in six companies' mission-critical projects consistently achieve their key goals. However, companies which embrace a more enlightened approach to project leadership – one that values strong project leaders, capitalizes on talent outside their four walls, and applies new and emerging collaboration tools – can deliver meaningful business gains. For example, our research uncovered that companies reporting the highest levels of project success also have seen their market capitalization steadily increase (see page 6).

FIGURE 1

The Changing Composition of Project Teams



Response base: 404 senior executives

The Hybrid Workplace and the Organizationally Diverse Team

Two critical factors have made the execution of critical projects even more challenging following the onset of the pandemic:

- **Hybrid teams – projects with some people working at home and others in the office.** Today, an average of 35% of project team members work the majority of their hours from home, up from 11% pre-pandemic.
- **“Organizationally diverse” teams – teams consisting of a mix of employees and professionals from consulting and staffing companies, former employees, and independent contractors (“gig workers”).** Pre-pandemic, an average of 33% of team members were non-employees. Today, that number has grown to 43% – and companies predict it will increase to 46% by 2024. Before the pandemic, employees comprised 62% of project teams on average. This has decreased to 55% today. Our respondents forecast that this figure will decline further, reaching 52% by 2024 (see Figure 1).

Companies assemble organizationally diverse teams to contend with the sheer volume and complexity of the projects under way — and to overcome the ubiquitous talent shortage. Pre-pandemic, the Project Management Institute forecast a need for 88 million individuals in project management roles by 2027 as well as a shortage of talent available to fill those roles.⁴ As a finance executive at a leading global pharmaceutical company told us: “Sometimes our best people are involved in multiple projects, so we don’t have capacity, or we don’t have a specific skill set internally. That’s when we lean heavily on our external partners.”

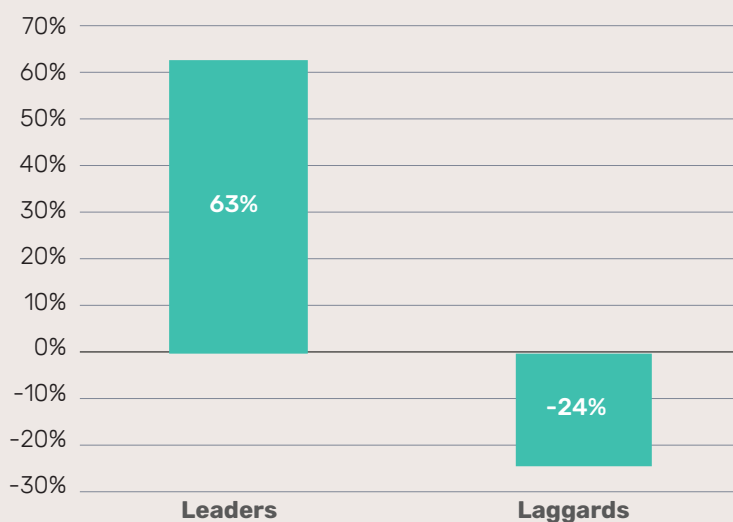
In addition, rapid deployment of remote collaboration tools such as Microsoft Teams and Zoom, combined with project management tools such as Smartsheet, have enabled teams to work effectively from home. This makes it easier for companies to tap a global talent pool and individuals with highly sought-after skills who have greater choice about when, where, and for whom they work. This flexibility makes clear the hybrid work environment and teams consisting of talent from multiple sources are here to stay.

Companies that have mastered hybrid and organizationally diverse project work say they have gained a competitive advantage. We examined this claim by comparing the companies with the greatest success in executing their critical projects to the companies with the least project success.⁵ Here’s what we found:

- **Roughly 15% of the companies said all their critical projects achieved or exceeded their key goals.** From 2017 to October 2022, the average market capitalization for this group increased 63% (for those that are publicly held companies). We call this group the “Project Execution Leaders.”

FIGURE 2

Where Project Execution Counts Leaders vs. Laggards: Five-Year Market Cap Performance



Timeframe studied: Jan. 2, 2017 to Oct. 25, 2022

Note: Of 404 companies studied, Leaders (62) reported 100% of critical projects met or exceeded their key goals since early 2020. Laggards (97) reported less than 50% of critical projects met or exceeded their key goals during that time period.

- **Approximately 24% of the companies said less than half their critical projects achieved or exceeded their goals.** Their market cap declined an average of 24% over the same time. We refer to this group as the “Project Execution Laggards” (see Figure 2).

Our full report will delve deeply into the key differences between companies that have mastered project execution and those struggling with it. It will examine how leading companies manage their hybrid and organizationally diverse teams, the specific soft skills they value most in project leadership, and the steps they take when projects run into trouble. It will offer qualitative insights from interviews with senior executives about their project leadership successes and challenges. Finally, the report will discuss how to create project talent pools, how to evaluate whether talent is a good fit for a team, and how the most effective project leaders engage and motivate their teams.

Methodology

From September to October 2022, we surveyed 404 senior executives at large companies (\$1 billion+ in revenue) on the challenges they have faced since 2020 in executing “critical projects” to improve key operations in financing and accounting, risk and compliance, HR, workplace experience, recruiting and retention, and IT/digital. These executives were either in the C-suite, report to the head of function, or report two levels below the head of the function and work for companies headquartered in the US, EU or Asia-Pacific regions in the financial services, healthcare, pharmaceutical/life sciences, and technology industries. Each was personally involved in executing or had substantial knowledge of the execution of at least one critical project in their company. By “critical project,” we mean a major initiative with a budget of at least \$1 million and the goals of making key operational and financial improvements. By “execution” of such critical projects, we refer to the project team and the steps they take to implement a project strategy.

Endnotes

¹ How COVID-19 has pushed companies over the technology tipping point—and transformed business forever, McKinsey Digital and Strategy & Corporate Finance Practices, <https://www.mckinsey.com/-/media/McKinsey/Business%20Functions/Strategy%20and%20Corporate%20Finance/Our%20Insights/How%20COVID%2019%20has%20pushed%20companies%20over%20the%20technology%20tipping%20point%20and%20transformed%20business%20forever/How-COVID-19-has-pushed-companies-over-the%20technology%20tipping-point-final.pdf>.

² <https://hbr.org/2021/11/the-project-economy-has-arrived>

³ We define “mission-critical” as those with investments of at least \$1 million, with the goals of major improvements in cost, time to market, quality, and other key metrics.

⁴ <https://www.pmi.org/learning/careers/job-growth>.

⁵ “Project success,” means the percentage of critical projects that achieved the key goals established for them at the outset.

Founded in 1996, RGP is a project consulting and professional staffing firm. Our experts help clients execute transformational initiatives across the enterprise. Today's project economy reflects our founding strategy – quickly align specialized resources for the work at hand with a premium placed on value, efficiency, and ease of collaboration.

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