

Troubled Projects

Project Failure or Project Recovery



A BENCHMARK OF
CURRENT BEST PRACTICES

Key Findings

How many projects are troubled? Can they be recovered, or are they doomed to fail? How do organizations recognize troubled projects in time to recover them? Do they have standard processes for recovering these troubled projects? And what are the root sources of troubled projects? These and other findings are showcased in this Center for Business Practices research on current practices in identifying and recovering troubled projects. Key findings include:

- ❖ Of the organizations surveyed, 47% of their projects were troubled, troubled and recovered, or troubled and failed. Over a 12 month period 1,830 out of 3,874 projects that closed were troubled — organizations averaged closing \$65 worth of project, with \$30 million of those projects at risk of failing.
- ❖ Issues around meeting schedule requirements appear to be the most significant symptoms of troubled projects, with risk to benefit delivery critical as well. The top five symptoms were:
 - ❖ Critical issues in meeting milestones or completing deliverables
 - ❖ High risk to the project's likelihood in delivering anticipated benefits
 - ❖ The project was forecasted to be unacceptably behind schedule at completion
 - ❖ The project was unacceptably behind planned schedule
 - ❖ There were critical and/or significantly growing technical issues with the project
- ❖ Most organizations don't have a standard process for recovering projects once they are identified as troubled — only 24% of organizations have a standard for recovering those troubled projects (and 31% have no process at all). Those organizations with a standard recovery process had 83% more projects that were successful, 195% fewer projects that remained troubled, and 120% fewer projects that failed, than those organizations without a recovery process.
- ❖ Issues around poor communication and poor project management processes are the primary root causes of troubled projects. The top five causes were:
 - ❖ Expectations were too high, unrealistic, not managed, or poorly communicated
 - ❖ Requirements were unclear, contradictory, ambiguous, or imprecise or there was a lack of agreement and priority
 - ❖ There was a lack of resources, resource conflicts, turnover of key resources, or poor resource planning
 - ❖ Planning was based on insufficient data, missing items, insufficient details, or poor estimates
 - ❖ Risks were unidentified or assumed and not managed
- ❖ Project recovery interventions are highly successful. They may consist of any number of actions — redefining the project, changing leadership on the project, adding resources, improving project management practices — that ultimately lead to project success. Project recovery interventions led to successful completion in 80% of organizations, either with the projects recovered and completed successfully (in 43% of organizations) or by setting new project expectations and meeting those new requirements successfully (in 37% of organizations).

Research Methodology

Statement of the Problem

Whether a troubled project ultimately succeeds or fails depends on the effectiveness of the actions taken to recover these projects. Before these actions can be taken, however, organizations need to be able to recognize problems and prepare to take appropriate corrective measures. The Center for Business Practices has conducted this survey research of a broad spectrum of organizations to determine several factors regarding troubled projects in organizations:

the extent to which projects are troubled and recovered

the symptoms and root causes of the troubled projects

the extent of project recovery efforts and their outcomes.

Research Approach

An invitation to participate in a web-based survey on Troubled Projects was sent to the members of the Center for Business Practices Research Network (senior practitioners with knowledge of their organizations' project management practices and business results). Responses to the survey were received by February 17, 2006. Eighty-four people responded. Seventy-five completed the survey in its entirety. The responses to all questions are presented in total in this report.

Notes on Reading the Survey Findings

This benchmarking survey charts the results of the responses to the questionnaire on Troubled Projects shown on page 76.

Overall Survey Statistics

"Completed Responses" is all respondents that have gone through the whole survey and completed it. "Started" is the total number of respondents that have started the survey. "Survey Views" is the total number of visitors to the survey website (the respondent does not necessarily have to start the survey).

The data-analysis represents all users who have chosen to answer a question. In some cases users do not answer all the questions. In such cases, the total count of users completing the surveys will be different than the data-analysis.

Frequency Analysis

"Frequency Analysis" lists a count (frequency) and/or percentage of responses for each question or a score, which is the average of a range of responses (usually the average of the responses to a question asking to rate something on a scale of 1 to five). For example, 21 people responded that customers of their failed projects were unsatisfied (see page 24). That means 26.92% of the total number of respondents (78) to the question assess their customer satisfaction as unsatisfied (rating of 3 on a scale of 1 to 7) for their failed projects. An example of "Score" can be found on page 29, where 36 respondents rated the extent to which the symptom "Project unacceptably over planned budget" led to the decision to undergo a project recovery intervention with a score of 3.278 (an average of 3.278 on a scale of 1 to 5, where 1=not at all, 5=to a great extent).

Survey Findings on Troubled Projects

About Troubled Projects

Whether a troubled project ultimately succeeds or fails depends on the effectiveness of the actions taken to recover these projects. Before these actions can be taken, however, organizations need to be able to recognize problems and prepare to take appropriate corrective measures. This survey is a benchmark of current practices in identifying and recovering troubled projects. The following definitions were used to categorize projects as successful, recovered, troubled, terminated, or failed. Note that recovered and failed projects were troubled at one time — recovered projects were troubled projects that went through a recovery process, and failed projects were troubled projects that either weren't completed or implemented or completed with unsatisfied customers. Even successful projects may have been troubled at one time, but were brought back on track and completed meeting the original requirements. And there are troubled projects that were completed but never were truly recovered and remain classified as troubled projects.

Successful projects are those projects that meet all of the following criteria:

- Project delivered within the estimated budget, plus or minus acceptable variances
- Project delivered within the estimated schedule, plus or minus acceptable variances
- Project delivered expected requirements, plus or minus acceptable variances
- Overall quality is acceptable
- Project customer(s) were satisfied.

Recovered projects are those projects that meet all of the following criteria:

- Appropriate project objectives (cost, schedule, requirements, etc.) changed through a recovery process and accepted by the project customers
- Project delivered within the new estimated budget, plus or minus acceptable variances
- Project delivered within the new estimated schedule, plus or minus acceptable variances
- Project delivered new expected requirements, plus or minus acceptable variances
- Overall quality is acceptable
- Project customer(s) were satisfied.

Troubled projects are those projects that do not meet at least one of the following criteria:

- Project delivered within the estimated budget, plus or minus acceptable variances
- Project delivered within the estimated schedule, plus or minus acceptable variances
- Project delivered expected requirements, plus or minus acceptable variances
- Overall quality is acceptable.

Terminated projects are those projects that are cancelled for business reasons outside the control of the project's stakeholders, including but not limited to:

- Change in organizational strategy
- Merger/acquisition
- Change in business environment
- Change in legal/regulatory environment.

Failed projects are those projects that meet at least one of the following criteria:

- Project terminated before completion, but not meeting the criteria of a "terminated project"
- Project never implemented
- Project customer(s) were not satisfied.

Observations

On the Survey Respondents

Responses were equally spread among a mix of project professionals — C-level, vice-presidents, directors, project office managers, and project managers.

Responses were fairly equally divided between small companies (40%), medium-sized companies (29%), and large companies (31%).

The largest industries represented were professional services (29%), manufacturing (14%), finance & insurance (13%) and information (13%).

Responses applied to the whole enterprise for 32% of respondents, followed by IT (29%), engineering (13%), and new product development (7%).

On Projects Completed

3,874 projects were closed in the last 12 months for the respondents, averaging 49 per company at a total cost of over \$5 billion (\$64.9 million per company) and an average cost per project of \$2.15 million.

On Project Performance

Almost half of the projects had significant issues: 24% were recovered, 19% remained troubled, and 5% failed. 1,830 out of 3,874 projects were troubled and either remained troubled, failed, or were recovered — an average of \$30 million of projects at risk per organization.

48% of the projects were successful and 5% terminated for business reasons.

Of the failed projects, 46% were more than 20% over budget, 55% were more than 20% behind schedule (and 18% more than a whopping 100% behind schedule), 35% didn't meet technical requirements, and 58% had unsatisfied to extremely unsatisfied customers.

Projects often keep going by their own momentum — 30% of projects were continued without justification, where recovery or termination would have been the more appropriate response.

IT projects, in particular, are more troubled than other projects. Respondents reporting on IT projects show only a success rate of 36% compared to 48% overall.

On Troubled Projects

Only 26% of organizations have a standardized process for identifying troubled projects, and only 24% of organizations have a standard for recovering those troubled projects (31% have no process at all, not even an informal one).

Almost half of the organizations surveyed (46%) had a project recovery intervention in the past 3 years, averaging over 5 recovery interventions per company.

The symptoms of trouble projects most often exhibited were:

- Critical issues in meeting milestones or completing deliverables
- High risk to the project's likelihood in delivering anticipated benefits
- The project was forecasted to be unacceptably behind schedule at completion
- The project was unacceptably behind planned schedule
- There were critical and/or significantly growing technical issues with the project.

Given the symptoms listed above, schedule issues appear to be the most significant symptoms of troubled projects. Surprisingly low on the list of symptoms were lack of support by project sponsors and various quality issues.

The root sources of troubled projects most often exhibited were:

- Expectations were too high, unrealistic, not managed, or poorly communicated
- Requirements were unclear, contradictory, ambiguous, or imprecise or there was a lack of agreement and priority
- There was a lack of resources, resource conflicts, turnover of key resources, or poor resource planning
- Planning was based on insufficient data, missing items, insufficient details, or poor estimates
- Risks were unidentified or assumed and not managed.

Given the root sources listed above, note that most of them are related to poor communication and poor processes.

Surprisingly low on the list of root causes was lack of support by project sponsors (often cited in the literature as a major cause of project failure).

On Project Recovery

Almost half (46%) of the organizations responding had a project recovery intervention in the past 3 years — a median of 3 (or 1 a year on average).

Senior management are the decision makers when it comes to implementing a project recovery intervention in more than half of the organizations responding (53%). And of note: in only 1 organization did an auditor (either internal or external) make the decision.

A majority of organizations manage the recovery themselves (81%) rather than use outside resources.

Organizations take a variety of actions to recover their troubled projects, none of them exhibited significantly more often than others. The most often used are:

- Redefining the project
- Changing leadership on the project
- Adding resources
- Improving project management practices
- Resolving problematic technical issues.

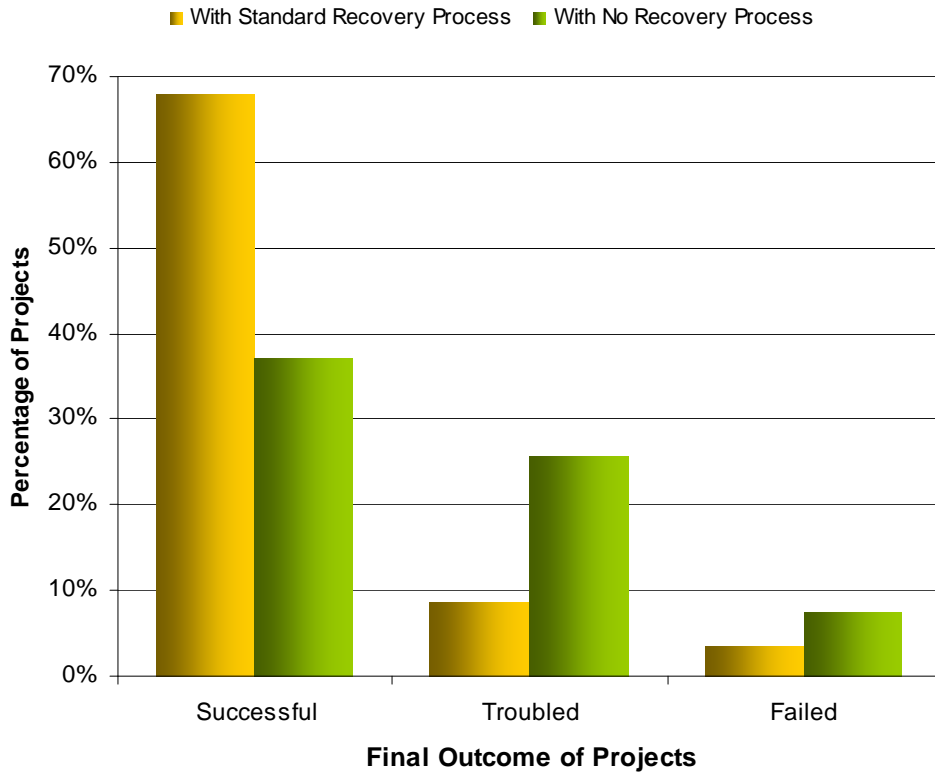
A majority of organizations (77%) manage the recovery intervention as a project, using good project management practices.

Almost half of the organizations (49%) took 3 to 6 months to implement their recovery intervention, with a quarter taking more time and a quarter taking less time.

Almost all of the project recovery interventions met with success, with the projects recovered and completed successfully (in 43% of organizations) or by setting new project expectations and meeting those new requirements successfully (in 37% of organizations).

There were various obstacles to recovery. The two most often cited were that various stakeholders were unwilling to recognize that the project was in trouble and projects were more complex than expected.

Value of a Troubled Project Recovery Process Project Performance Compared



Organizations that have a standard process for identifying and recovering troubled projects are significantly better positioned to succeed. The Center for Business Practices research shows that organizations have 83% more projects that close successfully, 195% fewer projects that remain troubled, and 120% fewer projects that fail, if they have a standard process for identifying troubled projects and intervening to turn them around.

Note:

The Center for Business Practices is now PM Solutions Research