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White Paper

Troubled Projects?
Key Strategies for Quick Turnarounds
Combine Skills and Process to Recover and Succeed

Focus on project recovery processes and skilled project managers to turn project failure into business success.

After years of sobering statistics on project failure, here's the good news.

For decades, a theme has run through project management research: that project failures are common – in some studies, nearly as common as successes. While the statistics regarding project failure do remain sobering (according to a study by PM Solutions Research, nearly a third of projects are at risk of failing), the truth is that project recoveries are common – *and they are highly successful*.[1]

First the Bad News

Of the projects at risk of failure cited in our study, 12% actually failed, costing $24 million per firm on average. More recently, the CHAOS studies from The Standish Group, while showing IT project success rates increasing, still record a failure rate of 18%.[2]

Yet there is good news on the flip side of that statistic. Studies on what causes failure also point us to specific actions that can be taken, both at the project level and at the organization (PMO) level, in order to sidestep failure.

The CHAOS study has also identified the top causes of IT project failures over the past decade. Its research shows that just two factors overwhelmingly contribute to a high failure rate: Lack of executive involvement, and lack of stakeholder (user) involvement. And, according to *Strategies for Project Recovery,* the top five root causes of project failure are:

» Requirements that are unclear, contradictory, ambiguous, or imprecise; or there is a lack of agreement on the requirements

» Lack of resources, resource conflicts, turnover of key resources, or poor resource planning

» Schedules that are too tight, unrealistic or overly optimistic

» Planning that is based on insufficient data, missing items, insufficient details, or poor estimates

» Unidentified risks; or risks that are not managed.

These risks align precisely with the fundamental strengths of project management: stakeholder management, planning, scheduling, and risk management, and also suggest that executives and stakeholders have not been fully involved at an early enough stage. Even so, of the troubled projects in the study, of those that underwent a recovery intervention, nearly three-quarters were successful; another 18% were still ongoing at the time of the survey, so the results are not yet known, but it is likely that a majority of these also experienced success, further boosting the percentage of positive outcomes.

Not only do troubled projects recover when subjected to intervention, but often, according to survey respondents, the cure is simple: just provide a better project manager.

And that's the good news.

Project Managers Save the Day

The surveyed companies in the *Project Recovery* research study were nearly unanimous in their acclaim for the role of the project manager in recovering troubled projects. And when considering the types of actions most frequently implemented in project recovery, this should come as no surprise. The ability of a project manager to apply technical project management skills, while deftly managing the communications

and interpersonal issues during a crisis, can clearly be seen in the top four recovery actions cited in the study:

1. Improve communication and stakeholder management
2. Redefine the project – reducing scope, re-justifying the project financially
3. Add or remove resources
4. Resolve problematic technical issues.

The impact of better project managers isn't trivial. According to *The PM Skills Benchmark 2015*, a study sponsored by PM College, organizations with project managers at high skill levels outperform those with project managers at low skill levels – almost 50% better. [3] The study asks companies to rate themselves on an array of organizational performance measures, from customer satisfaction to financial performance. On all eight measures, those companies with highly

skilled project managers outperform the other study participants by a significant gap.

What's more, when we compare the top skills exhibited by project managers in high-performing organizations, we find that leadership skills, especially displaying integrity and honesty, building relationships, and building trust and respect make the difference. It's easy to see how a qualified project manager who is a trusted leader could take charge of a troubled project and achieve a turnaround (see Exhibit 1).

So, providing a qualified and experienced person to oversee turnaround is a key critical success factor in project recovery. But, as the CHAOS study findings point out, even the best project manager can fail without appropriate involvement and management of stakeholders — especially executives.

PMs in High-Performing Organizations Demonstrate Higher Skill Levels

Average level of skill on a scale of
1 (Inadequate) to 5 (Excellent)

- ■ LEADERSHIP SKILLS
- ■ PROJECT MANAGEMENT SKILLS
- ■ BUSINESS SKILLS

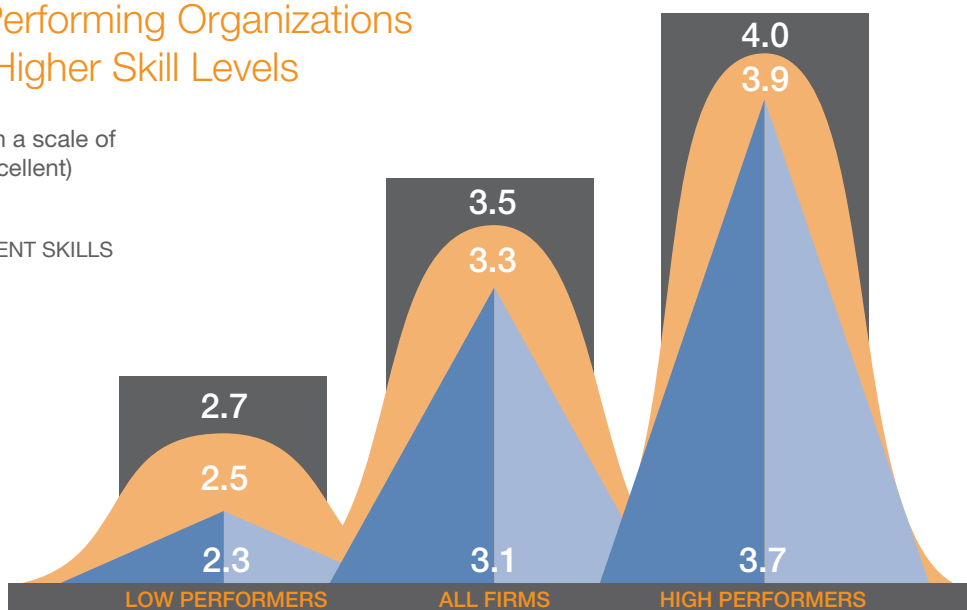|	LOW PERFORMERS	ALL FIRMS	HIGH PERFORMERS
Leadership	2.7	3.5	4.0
Project Management	2.5	3.3	3.9
Business	2.3	3.1	3.7

Exhibit 1. Project managers in high-performing organizations demonstrate a higher level of skill in all skill areas than PMs in low-performing organizations. Source: *Project Manager Skills Benchmark.* Glen Mills, PA: PM College, 2015.

Project Stakeholder Satisfaction

Stakeholder management is a key area where the skills of an experienced project manager can make the difference. Developing communication channels between the project team, clients or customers, the executive level and, in some cases, external stake-holders such as vendors or the community at large, is a key function of the project manager. Because managing stakeholder expectations and satisfaction is critical for successfully recovering a project, the review/recovery team should continually gauge the stakeholders' satisfaction level. Stakeholder satisfac-tion can be monitored through frequent meetings, frequent communication of all types, and the use of sound status reporting activities. Additionally, the use of a simple stakeholder satisfaction survey at regular intervals during the project recovery period can help to gauge the current level of satisfaction. Results from these periodic surveys can also be used to highlight positive improvements.

During the stressful period surrounding a project re-covery intervention, it is particularly important to han-dle stakeholder communications in a sensitive manner. Respondents to the *Strategies for Project Recovery* survey cited open communication with stakeholders as a key success factor in their project turnarounds. These communications included clarifying expecta-tions, transparency of problems and issues, reestab-lishing the project vision, and rebuilding commitment and trust with and among the stakeholders

The Power of Process

The other notable finding of our *Project Recovery* study centered on the role of processes. Firms without a standard project management methodology experi-ence more than twice as many failures; and those without a troubled project recovery process experi-enced three times as many failures as those with a process – whether formal or informal – in place.

Essential Criteria for Detecting Troubled Projects

- **FINANCIAL RISK** – The project is expected to exceed the budget at completion by more than 10%.

- **SCOPE CHANGE** – The number of approved scope changes exceeds a given threshold.

- **WORK EFFORT** – The number of actual hours is exceeding budgeted hours by a significant percentage.

- **SCHEDULE MILESTONES** – There are significant gaps (greater than 5% over plan) between planned and actual milestone dates or completed deliverables; or no established milestone dates.

- **QUALITY ISSUES** – The number of defects, errors, or review issues are critical and/or significantly growing during the project lifecycle.

- **CUSTOMER RELATIONSHIP** – The project team has a poor working relationship with the customer and/or the working relationship is rapidly declining.

Exhibit 2. Best-practice organizations establish a set of evaluation criteria to assist in screening projects for potential review and recovery activities.

PM Solutions' Project Review & Recovery Process Model

Organizational Governance

Project Level Execution

Performance Improvement

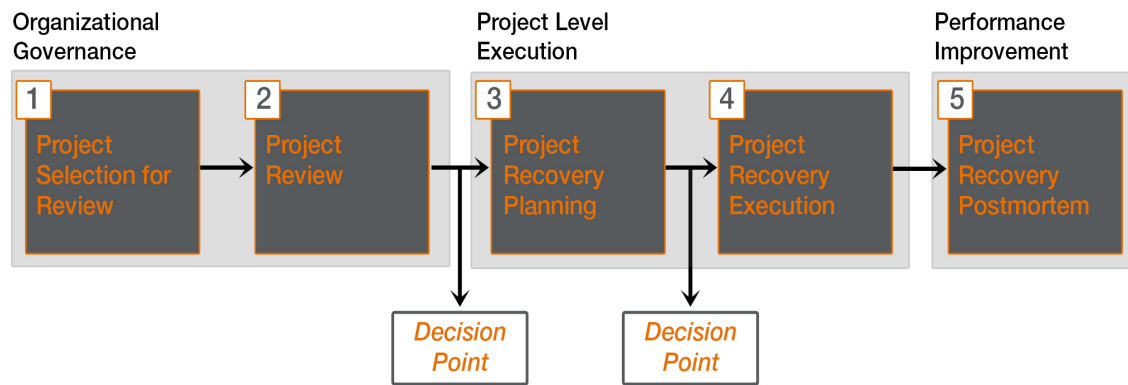| 1 Project Selection for Review | 2 Project Review | 3 Project Recovery Planning | 4 Project Recovery Execution | 5 Project Recovery Postmortem |

Decision Point

Decision Point

Exhibit 3. The process model used by PM Solutions' consultants when called upon to help manage a client's project recovery process. Source: PM Solutions Research, *Strategies for Project Recovery*, Glen Mills, PA, 2011.

Best-practice organizations establish a set of evaluation criteria to assist in screening projects for potential review and recovery activities. These consist of a balanced set of measures for identifying troubled projects (see Exhibit 2), including financial, staffing, schedule, technical, and business alignment measures. By applying the screening criteria to all projects in their portfolio (or to larger or more critical projects only), organizations can detect the danger signals of a failing project early, which is one key to success. By implementing a recovery process and taking corrective action early in the project lifecycle, organizations can avoid costly losses. The PM Solutions Project Review and Recovery Process Model is shown in Exhibit 3.

Defining a Troubled Project: The PMO's Role

An organization's Project Management Office (PMO) functions in a number of important ways to improve and standardize project management practices across the organization. A project review and recovery process should be one of the PMO's functions, applying a consistent approach to evaluating projects whose outcomes have impact on the organization as a whole.

Implementing a project review and recovery process that is administered by the PMO can help organizations recover the projects by applying sound project management practices in a focused and coherent manner. According to *The State of the PMO 2014*, this role is common among mature, enterprise- level PMOs.[4]

Defining the attributes of a troubled project is the first step in establishing a process for assessing and recovering projects. A troubled project can be defined as one for which, during project execution, one or more of the "successful project" criteria (see Exhibit 4) will not be met. Defining the possible outcomes helps to clarify the recovery approach. Not all troubled projects can end in success; but a termination is not necessarily the same as a failure if it is the best way to achieve a business goal.

If the organization has established a set of evaluation criteria (such as those shown in Exhibit 2), these are then applied in a standardized approach to evaluating projects, which helps to make the categorization of troubled projects an objective activity. The use of these criteria may also be incorporated into the

organization's project portfolio review and reporting processes.

In almost every case, a troubled project exhibits classic warning signs. The most common symptoms of troubled projects include:

» Critical issues in meeting milestones or completing deliverables

» High risk of not delivering anticipated benefits

» Resources not fully allocated to the project

» Forecast to be unacceptably behind schedule at the anticipated date of completion, and/or consistently behind its planned schedule

» Critical and/or significantly growing technical issues.

Early detection is the key to success. Reviews must be conducted as early in the project lifecycle as possible to minimize the impact of future issues. Ideally, an organization's PMO may establish the review

procedures, criteria, and timing for the project reviews, as well as a list of possible strategies for dealing with the projects that emerge from the review with the "troubled" designation (see Exhibit 5). In some cases, the PMO may also select projects for review at different stages of the project lifecycle to provide additional support to the organization and to provide a second gate for review.

Identifying potential problems early in the project lifecycle requires continuous monitoring by the project sponsor, project steering committee and PMO, and close communication with the individual project managers, who have a special role to play in the recovery process. The trend toward improvement in communication between the PMO and executives that we have seen developing over the past six years in the biennial *State of the PMO* studies shows that having the PMO oversee the project recovery process can be a factor in reducing the lack of executive involvement cited as a failure-inducing factor by the CHAOS studies.

Success	Recovery	Termination	Failure
Estimated budget, schedule, and scope met, plus or minus acceptable variances Overall quality was acceptable Project customer(s) satisfied	Budget, schedule, or scope changed through a recovery process and accepted by project customers New estimated budget, schedule, and scope met, plus or minus acceptable variances Overall quality was acceptable Project customers satisfied	Cancelled for business reasons outside the control of the project's stakeholders, including but not limited to: • Change in organization strategy • Merger/acquisition • Change in business or legal/regulatory environment	Project meets or met at least one of the following criteria: • Cancelled before completion, not meeting the criteria of a "terminated project" • Estimated budget exceeded acceptable variances • Estimated schedule exceeded acceptable variances • Estimated scope exceeded acceptable variances • Overall quality was not acceptable

Exhibit 4. Four categories of project outcome defined. Standardize definitions and accept that, for some projects, termination may be an acceptable outcome.

Finally, the PMO has a role to play in addressing the root causes of project failure.[5] A recurring theme in project management research is the persistence of resource management challenges as one of the primary stumbling blocks to project success. Among the top five causes of troubled projects noted in *Strategies for Project Recovery*, resource issues come in second. By the same token, the top five actions that firms take to successfully recover a project are people-related – focusing on communication and getting the appropriate resources on the job. Although it is usually senior management that makes the decision to intervene in a troubled project, it's the project manager who usually leads the recovery process. Often, especially in those firms without a standard project management methodology or a project recovery process already in place, that project manager came from outside the firm – bringing in not only new skills but doubtless new processes and approaches. *The State of the PMO* research has shown that top-performing companies are far more likely to bring in contracted project and program managers to take charge of specific initiatives than are companies with less stellar performance.

It is encouraging to find that by taking a proactive, comprehensive approach to reviewing existing projects, identifying projects that are in trouble, and recovering them before they fail completely, organizations can avoid these crippling losses. A third of the organizations surveyed, however, still have no standard approach or process in place for troubled project identification and recovery – despite the finding that even an informal process makes organizations more successful at recovery efforts. Establishing such a process begins at the organizational level, by developing criteria for identifying projects at risk.

Possible Decisions Based on the Project Review

1
Let the project continue (as is)

2
Replace project manager

3
Cancel the project

4
Direct the project manager and team to implement improvement recommendations

5
Revise delivery dates

6
Revise budgets

7
Reduce scope

8
Add more resources to accomplish more work

9
Add or change resources to bring in new skills

10
Increase the level of work through overtime

Exhibit 5. Recovery process should include a standardized list of possible recovery actions.

Determining Project Recovery Success

How do you determine if the recovery was successful? How do you decide if the review and recovery processes brought value to your organization? The simple answer may be "we know we are successful when the project delivered meets customer expectations while minimizing variances in schedule or cost." However, more tangible factors indicating a successful review and recovery may include:

» Demonstrated cost savings or avoided opportunity cost; when a repository of data about similar projects exists, these metrics provide the strongest benefit case.

» Stakeholders sharing a common vision of the project, including the project status, and the objectives/requirements that are being delivered

» Resolution of most or all project issues

» Development of an achievable schedule agreed upon by all stakeholders

» The end of negotiating and updating project baselines

» Stakeholders confident in the project team and overall project performance.

Once you have made a determination of the value of the recovery effort, be sure to communicate it to senior management in terms that they recognize as critical. How much did the company save? What costs were avoided? What opportunities became available because the project was saved? A formal project recovery process adds value to the PMO that is easily linked to corporate strategic objectives. Don't fail to make the connection and communicate it widely. Communicating value – and not merely project statistics – is a key feature of PMOs that succeed in improving relationships with the executive level.

Case Study: Manufacturer Rolls Out Retail Launch Valued at $60 Million in Increased Revenue, Thanks to Excellent Program Management

A potentially disruptive new sales opportunity for the construction products line of business within the client company held out the promise of $60 million in increased annual sales but required a retail "shelf reset" of 755 stores for a national hardware chain. At the same time, to meet forecasted product needs, the company was closing down one manufacturing facility and moving to another, upgraded facility. The company was short of project leadership; project plans and sub-project plans were missing; there were no formalized schedules, nor any method to gauge on-time, behind or ahead-of-milestone progress. Individual functional areas were approaching the effort without an integrated perspective, resulting in time-wasting meetings that failed to focus on the critical activities and issues.

"The PM Solutions consultant, in a relatively short time, was able to bring the functional groups together, focus them all on the single goal (a successful launch in the eyes of the customer), and ensure that the teams focused on the right level of detail on each work stream. Almost immediately duplication of effort was eliminated and the project team was more aligned, aware, and focused on achieving the goal."

— Director, Global Manufacturing Excellence

Critical Success Factors for Project Recovery

In summary, both the PMO and the project managers that oversee recovery efforts need to manage a number of critical factors to ensure a successful project recovery. These factors include:

» Cultivating and controlling communication with all project stakeholders to manage expectations, encouraging honest and frank information exchange, and sharing knowledge gained in the process

» Using project managers experienced in turning around projects, or recovery specialists, to lead the project recovery process

» Identifying projects in need of recovery as early as possible in their project lifecycle

» Establishing a sense of urgency and a heightened level of control in managing requirements, schedule, costs, risks, and changes to the original scope

» Monitoring stakeholder satisfaction throughout the recovery process

» Prioritizing non-essential objectives and requirements and conducting tradeoff analyses to deliver the best solution.

Conclusion

With millions at stake each year, establishing a process for project review and recovery gives an organization the power to recover the majority of their at-risk projects. At the organization level, PMOs should not hesitate to take the lead on developing and implementing a structured approach to recovery activities, and train or hire specialists who can apply the recovery methodology in an effective and positive manner. Organizations should leverage the lessons learned from each project recovery to improve project management practices in their organization and to minimize the chances of repeating previous costly mistakes. In particular, paying close attention to improving communications with executives, involving stakeholders early in the project lifecycle, and improving resource management practices will allow companies to "go to the head of the river" and keep projects from getting in trouble in the first place.

At the project level, the project manager is responsible for taking the actions that successfully recover troubled projects. And an effective project manager can play a significant role in mitigating or eliminating the causes of troubled projects before the trouble begins. Focusing on the skills identified as most critical in the *PM Skills Benchmark* study will help companies improve both their project managers and overall organizational outcomes.

Even an informal recovery process, in the hands of a highly skilled PM, can rescue at-risk project investments.

References

[1] PM Solutions Research (2011). *Strategies for Project Recovery.* Glen Mills, PA: PM Solutions.

[2] Standish Group (2012) *CHAOS Report*. Accessed Oct. 2015 at
http://www.slideshare.net/rayannpub/itprojectmanagementfailures

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[4] PM Solutions Research (2014). *The State of the PMO 2014*. Glen Mills, PA: PM Solutions.

[5] PM Solutions Research (2015). *Resource Management and the PMO, Third Edition*. Glen Mills, PA: PM Solutions Research.

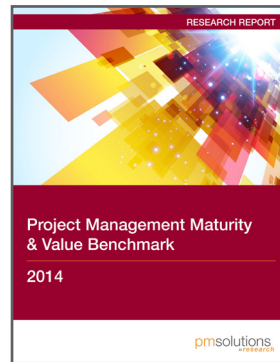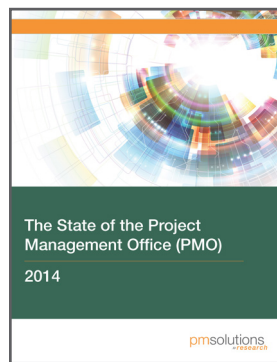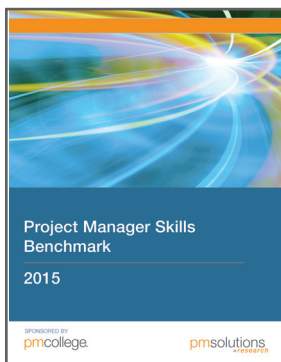## Case Study: Program Turnaround Avoids Millions in Business Disruption Costs

A company divestiture at a nutritional products company called for an unmovable deadline to convert legacy IT systems within sales, marketing, and manufacturing systems. The move needed to happen quickly and smoothly, as the client's business was at risk: one program was for manufacturing systems without which the company could not make products; another supported the company's web presence, including customer service and ordering. Little progress was made in the first four months and this business-critical, multimillion-dollar program was in peril.

A consulting team from PM Solutions was brought in to review the program, re-plan all projects, and assume control of program operations. All individual projects within the program were delivered on time and were ready for integration with the enterprise ERP system. The resulting program turnaround immediately saved an estimated US $2 million in system support fees by moving applications in-house. But the real value was in the untold millions in revenue saved by preventing manufacturing disruptions and avoiding the opportunity costs of postponing a major sales and marketing campaign.

Resource shortages and conflicts can plague your ability to deliver

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