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»*research*

Strategies for Project Recovery
» A PM SOLUTIONS RESEARCH REPORT

WHAT'S AT STAKE:

The statistics regarding project failure are sobering. According to this survey, firms on average manage $200 million in projects each year. During that time these organizations will realize that $74 million of their projects are at risk of failing.

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About the Survey

Whether a troubled project ultimately succeeds or fails depends on the effectiveness of the actions taken to recover the project. Before these actions can be taken, however, organizations need to be able to recognize problems and prepare to take appropriate corrective measures. PM Solutions has conducted this benchmark of current practices in recovering troubled projects to help identify the factors that may lead to the development of strategies for successful project recovery:

» Can troubled projects be recovered, or are they doomed to fail?

» What are the root causes of troubled projects?

» What is their cost to organizations?

» What do firms do, exactly, to successfully recover troubled projects?

About the Respondents

» Number of Respondents: 163

» Roles of Respondents: C-Level (11%), VP or Director-Level Business Management (6%), VP or Director-Level Program/Project Management (11%), Head of PMO (23%), Program/Project Manager (42%), Other (7%)

» Size of Organization: Large (39%), Mid-sized (25%), Small (36%)

» Industries: Professional & Technical Services (23%), Manufacturing (13%), Information (13%), Finance & Insurance (12%), Healthcare & Social Services (7%), Utilities (7%), Public Administration (6%), Education (5%), Other (15%)

Strategies for Project Recovery

THE STATISTICS REGARDING TROUBLED PROJECTS are sobering. According to this survey, firms on average manage $200 million in projects each year; and, in the course of that year, these organizations will realize that more than a third of their projects—$74 million worth—are at risk of failing. Jobs, and maybe the business itself, may be in jeopardy if nothing is done to mitigate the risks and actively attempt to recover these troubled projects.

Our research shows that when organizations take actions to recover troubled projects, they are highly successful. Almost three quarters (74%) of the troubled projects that underwent a recovery intervention in the past three years were recovered. In addition, 18% of these projects have recovery efforts that are still ongoing; the successful completion of these projects should boost the percentage of recovered projects substantially.

While there are many factors that enter into the success of project recovery efforts, the research shows that the project manager is one of the most important. The project manager can play a significant role in addressing the causes of troubled projects as well as in effectively managing the process to recover them.

» The project manager has the most influence in being able to proactively address the causes of troubled projects cited in the research to help mitigate the risks if not eliminate them altogether.

» It is usually the project manager who is responsible for taking the actions that successfully recover troubled projects.

» Survey respondents state unequivocally that the project manager was very important to the success of their project recoveries.

We hope you will use the results of this benchmark of current practices to help you design strategies to mitigate project risk and improve your likelihood of success in recovering your troubled projects. In particular, these results address:

» The cost of troubled projects to organizations—how much money your organization might lose if they don't incorporate the practices of more successful firms.

» The root causes of troubled projects—practices you need to focus your efforts on improving.

» The key success factors in recovering troubled projects—what's working for other organizations.

Overall Project Results

Successful	47%
Recovered	25%
Failed	12%
Terminated	6%

Projects at Risk*

*A significant number of projects are at risk every year. Of the 20,821 projects that were closed in the past 12 months in the firms surveyed, 37% were at risk and were either recovered or failed.

Firms with a standard PM methodology for managing their projects (78% of the firms surveyed) had fewer than half as many project failures as those that did not have one.

A project is troubled and in need of recovery if during project execution it is projected that one or more of the following results will occur:

» Estimated budget, schedule, or scope will not be met (plus or minus acceptable variances)

» Overall quality will not be acceptable

» Project customers will not be satisfied.

Projects at Risk

Organizations spend a lot of money on projects. The average firm closed $200 million in projects last year (155 projects at $1.3 million per project on average for each firm). And more than a third of these projects were troubled. Significant factors that affected the likelihood of success in recovering these troubled projects include whether the firm had a standard project management methodology or a project recovery process, the size of the firm, and the industry of the firm.

» Size of firm had a significant influence on the number of projects closed and the average cost per project. On average, small firms closed 68 projects, $.2 million per project; mid-size firms closed 103 projects, $1.2 million per project; large firms closed 287 projects, $1.6 million per project.

More than a third (37%) of those projects were troubled and at risk of failure. That means $74 million in projects were at risk of failure for each firm, on average.

» 12% of these projects failed ($24 million per firm on average).

» 25% or these projects were recovered ($50 million per firm).

» Large firms had a significantly higher percentage of recovered projects than small and mid-size firms (32% of large firm projects vs. 22% for small firms and 18% for mid-size firms).

The Good News. Project recoveries are common. Nearly three quarters (72%) of firms surveyed had a project recovery intervention in the past three years.

» Information firms (90%) were far more likely to have had a project recovery intervention than finance (75%), manufacturing (71%), and professional services (62%) firms.

The projects undertaken by firms are fairly evenly distributed regarding their complexity—19% very complex, 31% complex, 26% somewhat complex, and 25% not very complex. Project complexity was not cited as a major cause of troubled projects and had no bearing on project recovery or project failure either.

Dollars at Risk in the Average Organization: $74 million

This data represents 20,821 projects closed in the last 12 months by 134 organizations.

» Average number of projects closed per firm 155
» Average total cost of closed projects per firm.. $200 million
» Average cost per project .... $1.3 million
» Percentage of projects at risk—recovered (25%) or failed (12%).. 37%
» Average dollars at risk per firm ....$74 million
» Average dollars saved due to successful project recoveries per firm.............................$50 million
» Average dollars lost due to project failures per firm...$24 million

The Positive Influence of Processes

Almost a quarter (22%) of the firms surveyed do not have a standard project management methodology for managing their projects.

» Small firms were the least likely to have a standard methodology (30% had no PM methodology); large firms were the most likely (only 18% were without a PM methodology), which may be why they had the highest percentage of projects that were recovered).

» Firms without a standard project management methodology saw a significantly higher percentage of project failures than those with (21% vs. 9%). They also had a significantly lower percentage of project successes than those with a PM methodology (43% vs. 61%).

A third of the firms surveyed (32%) have no process, either formal or informal, for recovering troubled projects.

» Small firms were the least likely to have a process (40% had no process for recovering troubled projects).

» Manufacturing firms were the most likely to have a process (only 19% had no process for recovering troubled projects, compared with 35% of professional services firms, 30% of finance firms, and 29% of information firms).

» Firms without a troubled project recovery process, either formal or informal, saw a significantly higher percentage of project failures than those with (20% vs. 6%).

Causes of Troubled Projects

A common thread in addressing the major causes of troubled projects is the ability of the project manager to effectively deal with these issues, mitigate some of the risk in these areas, and be a strong enough leader to stand up to senior management or go to bat to manage expectations and resources.

The top five causes of troubled projects were:

1. Requirements: Unclear, lack of agreement, lack of priority, contradictory, ambiguous, imprecise.
2. Resources: Lack of resources, resource conflicts, turnover of key resources, poor planning.
3. Schedules: Too tight, unrealistic, overly optimistic.
4. Planning: Based on insufficient data, missing items, insufficient details, poor estimates.
5. Risks: Unidentified or assumed, not managed.

» In small firms, project governance (lacking, ineffective, different priorities, no clear involvement) is one of the top five causes of troubled projects; planning drops off the list.

» The extent to which firms were challenged by these causes of troubled projects was far greater for firms with no standard project management methodology than those with.

Top 5 Causes of Troubled Projects

1 REQUIREMENTS
Unclear, lack of agreement, lack of priority, contradictory, ambiguous, imprecise

2 RESOURCES
Lack of resources, resource conflicts, turnover of key resources, poor planning

3 SCHEDULES
Too tight, unrealistic, overly optimistic

4 PLANNING
Based on insufficient data, missing items, insufficient details, poor estimates

5 RISKS
Unidentified or assumed, not managed

Top 5 Actions Taken to Recover Projects

1
Improve communication, stakeholder management

2
Redefine the project— reducing the scope, re-justifying the project financially, etc.

3
Add and/or remove resources

4
Resolve problematic technical issues

5
Replace the project manager or bring in a consultant to manage the recovery

Project Recovery

Although it is usually senior management that makes the decision to actively intervene in a troubled project to recover it, it's the project manager who usually leads the execution of the recovery process. In fact, the project manager is often replaced with a new project manager or consultant, someone more experienced to head the recovery effort. In any case, project recoveries are highly successful once firms decide to focus on addressing the issues that caused the project to become troubled in the first place.

» In half of the firms surveyed, it's senior management who decides to implement a project recovery intervention; in fewer instances it's the sponsor (16%), the PMO (16%) or the project manager (13%).

» In small firms, the sponsor (24%) or project manager (24%) is more likely to decide to implement the recovery intervention than in larger firms. In small firms it's seldom a PMO (5%).

The top five actions most often taken in a project recovery intervention are:

» Improving communication, stakeholder management (62%).

» Redefining the project—reducing the scope, re-justifying the project financially (60%).

» Adding and/or removing resources (58%).

» Resolving problematic technical issues (49%).

» Replacing the project manager or bringing in a consultant to manage recovery (36%).

Firms without a standard project management methodology were far more likely to replace the project manager from outside the organization than those with a methodology (22% vs. 9%). They were also more likely to bring in a consultant to manage the project recovery intervention (26% vs. 11%).

Project recovery interventions are highly successful. Almost three quarters (74%) of the troubled projects that underwent a recovery intervention were recovered, and many projects (18%) are still ongoing, so the results are not yet known. Only 4% of the projects failed (with another 3% terminated for business reasons).

Obstacles to project recovery are generally related to the original root causes of the trouble. Obstacles most often cited include:

» Getting stakeholders to accept the changes needed to bring the projects back on track—whether they are changes in scope, budget, resources, etc.

» Poor communication and stakeholder engagement; lack of clarity and trust.

» Conflicting priorities and politics.

» Finding enough qualified resources needed to complete the projects.

» Lack of a process or methodology to help bring the project back on track.

Key Success Factors

The Project Manager. The project manager is clearly one of the most important factors in the success of project recovery efforts. Almost all organizations surveyed (92%) rated the skill and knowledge of the project manager very important (64%) or important (28%) to the success of the recovery.

As cited earlier, it's usually the project manager who 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.

Firms without a standard project management methodology were less likely to value the skill and knowledge of the project manager than those with (78% of firms without a methodology saw the PM as important or very important vs. 96% of firms with a methodology).

Other key success factors cited most often by firms include:

» Bringing in highly experienced program/project managers and giving them the clear authority to implement the changes needed.

» Adding additional, qualified resources.

» Increasing the budget.

» Open communication, including clarifying expectations and rebuilding commitment from key stakeholders.

» Properly re-planning the project.

Importance of Project Managers

Very Important	64%
Important	28%
Neither Important nor Unimportant	6%
Unimportant	1%
Not at all Important	1%
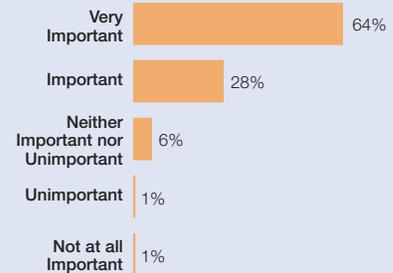
Percentage of Companies

Program/project managers are rated as extremely important to the successful recovery of troubled projects.

Summary FIndings

» $74 million in projects are at risk each year in the average firm surveyed (37% of the total value of projects closed).

» Most firms must deal with projects in trouble. Nearly three quarters (72%) of firms surveyed had a project recovery intervention in the past three years.

» Firms with a standard PM methodology for managing their projects (78% of firms surveyed) had fewer than half as many project failures as those that did not have one.

» Firms with a troubled project recovery process (68% of firms surveyed) had fewer than three times as many project failures as those that did not have one.

» The top five causes of troubled projects are challenges that can be addressed by an effective project manager: poor requirements, resource issues, unrealistic schedules, poor planning, and unidentified risks.

» The top five actions taken to successfully recover projects were primarily people-related, again emphasizing the importance of an effective project manager: improving communication, redefining the project, adding resources, resolving technical issues, and replacing the project manager.

» The project manager is a key success factor in the recovery of projects. Almost all firms (92%) rated the skill and knowledge of the project manager very important (64%) or important (28%) to the success of the recovery.

About PM Solutions

PM Solutions is a project management firm helping organizations execute, govern, and measure their portfolios to improve business performance. We are the leader in applying project and portfolio management processes and practices to drive operational efficiency for our clients.

Founded in 1996 by J. Kent Crawford, PMP®, the former president and chair of the Project Management Institute (PMI®), PM Solutions delivers expert project management services to help organizations and its people perform to maximum potential. Our targeted offerings address business needs in the following areas:

» Organizational Improvement

» Project Execution

» Learning & Development

Why PM Solutions

Our proven ability to deliver against business priorities ranging from organizational process improvements to the execution of mission-critical projects is why PM Solutions is trusted by top organizations around the world.

PM Solutions' experts have an extensive network of company-backed resources and assets to draw from when delivering solutions to our clients. Our research and benchmarking allows us to stay on the forefront of trends and be adaptive with new approaches that positively impact our clients across industries.

Our commitment to quality includes executive oversight on every engagement and unparalleled attentiveness to the relationship we forge with each of our clients.

Value Proposition

For PM Solutions, it's not enough to merely perform well and provide focused services. To build a trusted partnership with our clients, we have a vested interest in demonstrating that the services we provide actually improve our clients' business performance in measurable ways. We are proud to have helped lead initiatives for our clients that resulted in double-digit process maturity improvement, time-to-market acceleration enabling direct revenue growth, and on-time delivery of multi-million dollar programs for new manufacturing facilities, regulatory compliance, and data center consolidation, to name just a few.

For More Information

PM Solutions
1788 Wilmington Pike
Glen Mills, PA 19342 USA
Phone: +1-484-450-0100
www.pmsolutions.com