Recover Troubled Projects

Critical Actions to Take at the Organization and Project Levels
Despite the sobering statistics on project failure, there’s good news.

The statistics regarding project failure remain sobering: according to new findings by PM Solutions Research, organizations on average manage $200 million in projects each year – nearly a third of which are at risk of failing, putting the business in jeopardy if nothing is done to mitigate the risks. Fortunately, the study also points to specific actions that can be taken both at the project level and at the organization (PMO) level in order to sidestep failure.

Project Recovery Strategies

According to the study, 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.

Of the projects at risk of failure cited in the study, 12% actually failed, costing $24 million per firm on average. Yet there is good news on the flip side of that statistic. The truth is that project recoveries are common – and they are highly successful. Nearly three-quarters of the troubled projects in the study that underwent a recovery intervention 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 will also experience success, further boosting the percentage of positive outcomes.

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; but the recovery actions themselves must be carried out by an experienced and qualified project manager.
The Power of Process

Some notable findings of this study centered on the role of processes. Firms without a standard project management methodology experience more than twice as many failures; and those without a troubled project recovery process experienced three times as many failures as those with a process – whether formal or informal – in place.

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, 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 Figure 1.

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 2010, this role is common among mature, enterprise-level PMOs.

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 below will not be met and the project will continue on a path to failure.
SUCCESSFUL PROJECT: A project that met all of the following criteria:
» Estimated budget, schedule, and scope were met, plus or minus acceptable variances
» Overall quality was acceptable
» Project customer(s) were satisfied

RECOVERED PROJECT: A project that met all of the following criteria:
» Budget, schedule, or scope was changed through a recovery process and accepted by the project customers
» New estimated budget, schedule, and scope were met, plus or minus acceptable variances
» Overall quality was acceptable
» Project customer(s) were satisfied

TERMINATED PROJECT: A project that was 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 or legal/regulatory environment

FAILED PROJECT: A project that met at least one of the following criteria:
» Project was cancelled before completion, not meeting the criteria of a “terminated project”
» Estimated budget was not met, plus or minus acceptable variances
» Estimated schedule was not met, plus or minus acceptable variances
» Estimated scope was not met, plus or minus acceptable variances
» Overall quality was not acceptable

Organizations must next establish a set of evaluation criteria to assist in screening projects for potential review and recovery activities. These screening criteria (see Figure 2) should consist of a balanced set of measures for evaluating and identifying troubled projects. Using a set of established criteria in a standardized approach to evaluating projects 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.

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.

Figure 2. Screening criteria used for detecting troubled projects
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 Importance of the Project Manager

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.

A particularly striking finding of the Strategies for Project Recovery study was the importance placed on the role of project manager. 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. Respondents to the survey frequently noted that they turned around a project primarily by bringing in a new project manager. Often, especially in those firms without a standard project management methodology, that project manager came from outside the firm – bringing in not only new skills but doubtless new processes and approaches.

The surveyed companies 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:

- Let the project continue (as is)
- Replace project manager
- Cancel the project
- Direct the project manager and team to implement improvement recommendations
- Revise delivery dates
- Revise budgets
- Reduce scope
- Add more resources to accomplish more work
- Add or change resources to bring in new skills
- Increase the level of work through overtime

Figure 3. Possible decisions based on the project review
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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.

A clear process for identifying and recovering troubled projects, along with a qualified and experienced person to oversee that process, are the key critical success factors in project recovery. But even these can fail without appropriate involvement and management of stakeholders.

Project Stakeholder Satisfaction

Stakeholder management is another 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 stakeholders 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 satisfaction 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 any positive improvements.

During the stressful period surrounding a project recovery intervention, it is particularly important to handle 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 expectations, transparency of problems and issues, reestablishing the project vision, and rebuilding commitment and trust with and among the stakeholders.

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.
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.

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.

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.

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.
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References


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