

Why do projects break down?

Author: Harold Ainsworth

(A modified version of this paper was published in the February 1999 issue of "Charter" - journal of The Institute of Chartered Accountants in Australia)

Abstract:

This article looks at some of the research undertaken on abandoned projects to find pointers to how we can avoid this situation. It includes some of my own less formal research on local projects in the IT field.

It concludes that organisations need to put in place effective corporate level controls, sound project management practices and project managers, and seek independent advice and alternative strategies or solutions.

Introduction

After we have abandoned a failed project we know in hindsight that it was doomed for some time, so why did we let it continue for so long in its death throes? And why do so many projects end up being cancelled? The level of abandonment is still high and could be higher if we were more rigorous in culling projects. For example research by The Standish Group International in the USA in 1994 showed that thirty-one percent of IT projects were cancelled, whilst fifty-three percent were "challenged" (ie came in late, over budget or with less features than planned). More recent surveys in 1998 show these poor figures are improving, (now 28% fail and are cancelled whilst 46% are challenged), however there is still room for dramatic improvement.

This article looks at some of the research undertaken on abandoned projects to find pointers to how we can avoid this situation. It includes some of my own less formal research on local projects in the IT field. There are no simple reasons or answers; we need to look for systemic or underlying structures to identify and apply remedies that will work.

Research

The research by Keil (1995) is a longitudinal study (over 12 years) of a computer company project, which was finally cancelled when the company suffered a financial setback, new senior managers were appointed, and the chief sponsor died. One of the organisational factors which helped to keep the project alive for so long was the organisational norm of consistency ("heroes stick to their guns"), despite lack of evidence to indicate the project had any real chance of success. Loose management controls and emotional attachment were other factors. Ewusi-Mensah & Przasnyski (1991) surveyed top IS executives and concluded that whilst the topic was complex and multifaceted, the overriding reason for abandonment was organisational behavioural/political issues. This situation arises when project stakeholders have different levels of commitment or there are disputes about project goals and/or means of achieving them.

Staw & Ross (1995) and others have identified the need to detach ourselves emotionally from the project in order to make rational decisions about its future. This

is helped by independent advice, either internal or external, providing alternative perspectives. Keil, Mixon, Saarinen & Tuunainen (1994-5) conducted experiments using mature aged business students and showed that the level of sunk costs did strongly influence the commitment to continue with projects. However when other alternatives were found, subjects were less likely to remain committed to a prior course of action.

My own “research” of local abandoned IT projects was by in-depth interviews with managers involved with failed projects, but not so closely as to be held responsible for the outcome. They were interviewed some time after the event to allow reflection on the underlying reasons. The population is small and consists of seven projects, of which six are in the finance industry. The size of the projects varies with four being less than \$10 million and three over \$100 million.

Two projects delivered something of reasonable value before being abandoned but not sufficient to warrant their continuance, whilst the others can be considered to have delivered nothing of value, but that may be debated by personnel more closely involved and seeking to defend their record. In all projects surveyed consultants were involved for at least part of the project, but often not in the latter period. Whilst it would be easy to blame them for the failure, and in some case they should share the blame, I believe most of the reason for failure lay with the organisations themselves.

Major reasons for abandonment are (note that some projects had multiple reasons):

Primary reasons (showing number of projects studied):

Rank	Reason	No. Projects
1	scope too ambitious	5
2	poor project management	4
3	technical complexity	1

Secondary reasons were:

Rank	Reason	No. Projects
1	corporate controls or appropriate corporate project experience lacking	3
2	poor project management	3
3	lack of delivery/timetable slippage	3
4	organisational change overtook original project objectives	2
5	organisational “politics” (disputes about project goals/means)	2

Analysis

It is apparent that the reasons overlap and influence each other. For example the scope being too ambitious can be due to lack of corporate controls over projects or no previous organisational experience with the type or size of the project attempted,

and/or poor project management. Lack of delivery and timetable slippage is due to poor project management and/or lack of corporate controls.

Hence my analysis will focus on three systemic causes under which I believe most of the above reasons can be subsumed:

- lack of effective corporate controls
- poor project management
- lack of independent advice about status and which provides alternative strategies

Lack of effective corporate controls

It is important to limit the scope of projects to what is achievable in a sensible timeframe, with regular deliverables. To allow for overall direction to change over a number of years as the business changes, a structure to review and redirect the project milestones is required. Some organisations use stage gates reviews with pre-determined “gating” criteria. We all know the foregoing but still permit large projects to commence without regular planned mandatory reviews that include criteria for abandonment, and an independent assessment of likelihood of success.

A common reaction to project problems is to increase the frequency of status reporting to management, which may be appropriate but also can be illusory. Accuracy of the reporting is more relevant than frequency and whether the project manager has the ability to understand and solve the underlying causes, ignoring the “noise” of normal project problems. A single intervention should be enough to fix a problem properly diagnosed, but experience shows that often several interventions are required because we did not fix the root cause the first time. Either we didn’t understand the cause or hoped that softer action would alleviate the need for the tougher and unpleasant action we intuitively knew was required. Hence after the first round of changes the project limps along until it is obvious that additional and usually more drastic action is required to fix the systemic problem. Changing project managers can be a knee jerk response taken without understanding the underlying causes and can ultimately lead to several changes of personnel.

Also I have observed that often we have too many competing projects (especially as year 2000 approaches) and they end up being inadequately resourced and managed (both at project and senior corporate levels) simply because there are too many of them. Our criteria for allowing them to proceed needs tuning through taking a conscious decisions about whether the planned outcome is really achievable and is necessary to meet corporate goals. Just pushing people to do more (“macho” style of management) without seeking rational trade-offs between competing constraints, rarely achieves long term results.

Poor project management

Until you have experienced good project management you are not sure what it looks like! We can start with more rigorous selection of project managers against identified criteria, and assessing the level and type of management and other support they will need based on their experience, and the nature of the project and its inherent risks.

Then we can educate senior management in project disciplines so they know what to expect and look for from their project managers. Project management is different to operational management (because of its unique outcomes and time and other constraints) and the failure to recognise this can result in inappropriate or untimely responses to issues from senior management. Organisations that are successful at project management also support it through allowing for considered risk taking and some failure as a price of progress and learning.

One of the key attributes that I believe project managers must have is the ability to present to management alternatives for trade-offs between the conflicting project objectives of time, cost, scope and quality - few projects have sufficient of all of these and hence rational compromises must occur, preferably through early conscious planning rather than later in panic.

Another skill is the ability to report accurately on status without fear. Only rigour in up-front estimating and regular re-forecasting of work to go will provide early warning of potential overruns and stimulate the search for options to recover to plan. Fallback planning will provide options - often not considered necessary or possible until our "backs are to the wall" when we can become very creative.

Lack of independent advice and alternative strategies

Without alternative strategies we will remain committed to continuing with the project in the belief that more time and money will rectify the problem. The independent advice may come from internal sources (which are external to the project) but they must be fearless in questioning project status and ignoring the pressure to stick to organisational norms ("don't rocking the boat" syndrome). Advice from outside can be seen as trying to seek more work, or as insufficiently attuned to the organisational issues but usually will be an honest appraisal. As an ongoing strategy, not just when projects appear to be off course, actively seek several forms of independent advice but don't ignore it without very good reasons. The advice should include alternative strategies either for any issues raised or for the project as a whole.

Writers on systems thinking advocate taking different perspectives ("reframing") to ensure we are not blinded by our mental models. For example use advisers who can take alternative views such as a human resource/organisational or another industry perspective, and able to suggest solutions for action. Technical staff can be blinded by the detail of their discipline, but should always be pushed to declare their assumptions and to provide alternatives. Independent advice should be incorporated into the formal project risk assessment and monitoring process.

Conclusion

Research by the Gartner Group (Hunter, 1997) shows that "as the project rigour increases the probability of project disaster drops". This means that we apply appropriately proven project management principles depending on the size and risk of the project. Kerzner ("In Search of Excellence in Project Management", 1997) shows that companies successful in project management had adopted integrated processes (project, risk, change, quality and concurrent engineering management) as well as a culture based on trust, cooperation, teamwork and open communications. Both are needed for effective project management and to avoid process overkill.

This situation will be achieved when project objectives and processes are aligned with business goals and senior management fully supports Project Management as an activity that can add to the corporate “bottom line”.

References

- Ewusi-Mensah, K. Przasnyski, Z H. 1991. On Information Systems Project Abandonment: An Exploratory Study of Organizational Practices, MIS Quarterly March
- Hunter, R. 1997. Success cost less than failure: Application Development and the AD Management Continuum, Project Leadership Conference, San Francisco
- Keil, M. Mixon, R. Saarinen, T. Tuunainen, V. 1994-5. Understanding Runaway Information Technology Projects: Results from an International Research Program Based on Escalation Theory, Journal of Management Information Systems, Winter
- Keil, M. 1995. Pulling the Plug: Software Project Management and the Problem of Project Escalation, MIS Quarterly, Dec
- Kerzner, H. 1998. In Search of Excellence in Project Management, New York, Van Nostrand Reinhold
- Staw, B. M. & Ross, J. 1987. Knowing When to Pull the Plug, Harvard Business Review March-April;
- The Standish Group International, 1998. Chaos Report, www.standishgroup.com

Author background

Harold Ainsworth is a very experienced Business Manager who has held senior management positions in an international consulting company whose work was all project based. He has managed projects and multiple Project Managers across both IT systems integration and business projects.

Harold now teaches and consults privately on Program, Project, Quality and Risk Management to several large Australian companies.