

Projects come in all shapes and sizes varying from the sub-projects associated with fixed asset investment in commercial or industrial facilities through to the implementation of a change management programme. A project can be described as an undertaking for a limited duration which is not part of routine operations. A proportion of projects “fail” for a number of reasons and in strong economic conditions the impact can be managed. However in times of uncertainty this may not be the case and the failure of a critical project may threaten the survival of the organisation. This article addresses the assessment of risks of project failure and how best such projects can be turned around or exited.

## Projects Risking Failure

Underpinning a project should be a clear business case stating the anticipated benefits (the outcomes) or outputs (sometimes a project does not realise benefits by itself but contributes to other projects); the timescale of the project; and its budget.

Not fully achieving the intended benefits to the intended cost and timescales may not necessarily be a failure – just a reduction in the anticipated value of the project to the organisation. It may be that the project still adds greater value over other projects against which it was selected. This introduces the concept of tolerance on the anticipated added value of a project. Projects may be considered as heading for failure if, for instance:-

- The timing and extent of the financial outflows, inflows, savings and intangible benefits are such that the required rate of return based on the organisation’s cost of capital and premium for risk is not achieved. In the worst case the organization is no longer able to fund the financial outflows.
- The project appears within tolerances, but only by compromising on quality to the point that the value and integrity of the deliverable are called into question.
- The client-project team relationship is dysfunctional. This could include situations such as the client and sponsor losing interest in the success of the project or major animosity between members of the project team such as designers and contractors.

The criteria for describing a project at risk of failure differs for each organisation. Unfortunately it is typically only formally acknowledged that the project is at risk sometime after it begins to go off track. This situation is exacerbated if the initiative suffers from poor project management systems.

## Alternative Courses of Action

A project rescue typically means that a radically different approach is taken to refocusing and completing the project. There are two alternatives to a project rescue being initiated:

### 1) Stop the Project

There are many reasons that cancellation may be the best approach. A major potential reason is that the business proposition of the project is no longer valid, this even being the case in better economic conditions to come. An example of this is a product being produced may have missed its window of opportunity in the market. Other reasons may be the team does not have the right skills and the organisation does not have the right people available to replace them. In the current economic situation the sponsoring organisation simply have more important priorities.

Some of the key considerations when stopping a project are considered further on in the article.

### 2) Let the Project continue as is

It may be on investigation that budget or delivery overruns have been clearly caused by factors such as bad estimating as to costs and timescales. The causes are not more complex system-based faults and these can be reviewed with a more pragmatic approach being taken. In these cases the sponsor may determine that the cost of a project rescue is not worth pursuing and in the circumstances the delay and or cost over-run is acceptable.

The key is to take decisive action once it is recognised there is a problem. The Project Sponsor needs to take advice from a small team and undertake a quick appraisal using a structure similar to that set out below for a detailed appraisal. It may be useful even at this stage to seek independent assistance in determining which course of action to take. Such advisors do not have personal interest in the project with emotional ties and can provide clear objectivity.

## Detailed Appraisal for Project Rescue

It can be that the project is mission critical to the overall success of the organisation or that there are potential residual costs, both monetary and non-monetary, in stopping the project that cannot be countenanced.

Rather than just jumping in, the first thing that the Project Rescue Team needs to recognise is that the work to recover the troubled project is itself a project and should be planned as such. The following steps are required to be undertaken in a logical and systematic approach:

1. Determine the current state of the troubled project;
2. Assess the causes of the problems;
3. Validate the scope of work remaining;
4. Make recommendations on how to rescue the troubled project by addressing the causes of the original problem;
5. Validate the cost, effort, and duration to complete the project under its original or revised scope;
6. Gain sponsor approval to proceed;
7. Once the project has been revised the project manager appointed for the rescue must focus on the newly agreed upon work and ensure that the new expectations are met. The project must not be permitted to slip into trouble again.

On a troubled project there can end up being many inter-related problems. Determining the current state of the project and assessing the causes of the problems requires the Project Rescue Team to talk to the stakeholders and review the existing project documentation.

Meeting with the relevant stakeholders involved the Project Rescue Team is likely to receive all kinds of opinions regarding the problems and the causes. Since many of the stakeholders, such as the Sponsor, project manager etc, are to a degree emotionally involved or have personal interests in the project, they may find it difficult to communicate logically and dispassionately. Many of these problems that are expressed will be symptoms and the Project Rescue Team must perform root-cause analysis to try to determine the actual causes. Blame should not be attributed to people unless they are clearly accountable and in any case certainly not during this stage. Invariably projects fail due to weaknesses in the underlying processes and not individuals themselves.

These process weaknesses may originate from the start of the project with an inadequate business plan and ill defined and unspecified intended outcomes (benefits) from the project. This is compounded by poor stakeholder appraisal, lack of value management and poor risk evaluation. The latter prevents the inclusion into the project of objective contingencies for cost and time. The problems are further exacerbated by the lack of a robust Project Execution Plan that defines project strategy, respective roles and responsibilities, communication protocols and key milestone dates.

The lack of a robust Project Execution Plan to provide a clear structure for the appropriate resourcing of the project by specialists together with the other issues indicated above can be a major cause of dysfunctions arising within the broader project team.

In addition to addressing the problems caused by processes and project team that have led the project into trouble the Project Rescue Team should also consider solutions such as:

- **Reducing scope.** This is common for a recovery project. At this point, it may be felt that focus is needed on the minimum solution that will meet the client's basic needs and then extend the solution later.
- **Adding resources.** Adding resources may be required to complete the project within a reasonable timeframe. This may increase the project budget.
- **Purchasing tools.** New tools may be needed to accelerate the schedule. These will usually cost money and an investment will be required in a learning curve.

The Project Rescue Team should provide a number of alternatives based on combinations of the above. With multiple problems and multiple root causes the team needs to determine which problems are the most urgent to resolve and work on these first. The sponsor will thus have more of an understanding of the tradeoffs of cost, duration, and scope (quality) associated with turning the project around. It may be that none of the options is particularly attractive. However, it should be remembered that the objective is not trying to get the project to complete within its original parameters rather it is trying to make the best of a bad situation.

### Stopping Projects

It should also be recognised that the work to stop a project is in itself a project and should be planned as such drawing on independent resources as needed. Key requirements include:

- Demobilising project team quickly and efficient in a systematic manner recognizing the tasks to be completed;
- Collecting all the paperwork and cross reference in a systematic manner;
- Stopping all orders for materials and equipment;
- Securing all assets, eg storing in an appropriate environment until they can be sold or reallocated;
- Identifying all liabilities;
- Holding a post project appraisal so as to at least incorporate learning from the failed project into future projects.

**For more information as to how Das Management Services SRL can assist in reviewing and addressing issues with your projects please contact us at [office@dasmanagement.com](mailto:office@dasmanagement.com). This article is one of a series at [www.dasmanagement.com](http://www.dasmanagement.com) relating to current business issues.**