Project Management

Why Big Projects Fail — and How to Give Yours a Better Chance of Success

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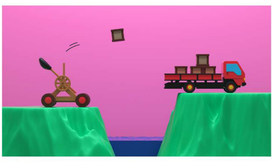

Illustration by Carlo Cadenas

Summary. There are five reasons that large projects fail. Wrong projects are ones that defy conventional business rationale, creating outputs that either few people want, that add little to no real value, or that undershoot the desired benefits because they are so difficult to... more

Projects are important vehicles for innovation and change, and they are everywhere within contemporary organizations. While the amount of project-based work differs across industries and functions, it's on the rise — and intensifying — across the board due to competitive, regulatory, environmental, and social dynamics. Research shows that, in developed nations, such as Germany, Iceland and Norway, projects account for about 30% of economic activity. Examples include new product development, enhanced technology to manage customers or communities, planning events, or improving infrastructure. Yet, projects are notoriously finicky, and success rates fall precipitously as they become larger, longer, and more complex.

This article explores the five macro-level reasons that projects often fail and offers advice on how to avoid those pitfalls.

The Wrong Project

The top reason for project failure is the project itself. Wrong projects are ones that defy conventional business rationale, creating outputs that either few people want, that add little to no real value, or that undershoot the desired benefits because they are so difficult to achieve. In short, they fail in rationale and objective reasoning. They are sometimes called "white elephants."

The most famous example is perhaps the famous "bridge to nowhere" in Alaska: a $223 million project approved in 2005 that would have connected a town of about 8,000 people to a remote island with just 50 inhabitants. Thankfully, sensibility finally returned. The project was first put on hold in 2007 and canceled altogether in 2015.

A classic business example was the acquisition of Autonomy for $11 billion by Hewlett Packard in 2011. At the time, HP CEO Leo Apotheker was looking for a big, transformative acquisition to solidify his standing — and his ego. The project was controversial from the start, as was valuing Autonomy at 79% over its market price, but it won approval from shareholders. Gaining support for execution from all stakeholders was more challenging, however, and just one year later, HP had to write off $8.8 billion. Apotheker was ousted shortly after.

Unrealistic Constraints

The second reason for project failure is unreasonable constraints — when the effort doesn't have adequate funding, people, time, or other key inputs. When the gap between "what it takes" and "what is given" becomes a chasm, no amount of good management can save the project.

For example, when aircraft manufacturer Boeing wanted to compete with Airbus's A320 Neo, already two years into development, the company accelerated its Boeing 737 Max development by cutting the project time in half. Worse, it also tried to save money by cutting many corners including safety features. The tragic outcome, outlined in a Congressional report, was two fatal crashes resulting in 346 deaths, more than $20 billion in crisis-associated costs, and immeasurable reputational damage.

Most businesses do not intentionally underinvest in their key projects, but the mentality of "doing more with less," "right sizing," and maximum efficiency combined with other factors such as business urgency pave the way for unrealistic constraints.

Lack of Effective Leadership

Project execution can be extraordinarily difficult, so strong leadership is essential. When it's lacking — especially among project managers who oversee the day-to-day work and project sponsors who champion and defend the work and the team — failure is all too common.

A good example was the initial launch of Healthcare.gov, the online portal for U.S. President Barack Obama's Affordable Care Act. When the website went live on October 1, 2013, it was largely frozen, and the problems took another two months to fix. Reporting indicated that a lack of clear and tech-savvy leadership on the project was one of the key reasons for this initial failure. The President could be a champion, but not a manager and everyday decision-maker.

Complexity

Projects that span multiple teams, business units, geographies, and organizations are inherently complex. Add in volatility, uncertainty, and ambiguity — related to turbulent industry dynamics and markets, unproven technologies, and stakeholders who can't make up their minds — and they become even more challenging.

In the corporate world, enterprise resource planning (ERP) projects stand out in terms of complexity. Gartner, an information technology research firm, estimated that 55% to 75% of all ERP projects fail to meet their objectives. A good example is the implementation of SAP at Revlon. The more than two-year rollout was disastrous and resulted in millions of dollars in lost sales and eventually a shareholder lawsuit. Right now, a group of projects that come with inherent uncertainty around their impacts on users are those related to artificial intelligence.

Getting the Basics Wrong

Project management succeeds when its rigor is proportionate to the size and scope of the project, as well as what's at stake. Too much management is inefficient at best and choking at worst. We've all experienced the problem of an initiative that never seems to go anywhere because the team can't clear managers' or sponsors' hurdles to make it through the early stages of the process.

Too little project management is also quite dangerous. Consider the software update at Knight Capital Group that resulted in a trading loss of $440 million in under an hour. Previously known as a pioneer in high-speed trading enabled by its IT capabilities and a darling of Wall Street, the glitch ultimately killed the company. Leaders failed to recognize the potential impact of a small problem with its software and in retrospect realized they should have provided better project management, including quality control.

Avoiding These Pitfalls

To avoid these pitfalls, forward-thinking companies should hire experienced executives and project management professionals who understand the macro challenges they will face. They can also consider adopting one or more of the below strategies to ensure more robust processes to improve project selection and governance:

1. Create executive positions such as chief project officer to oversee the entire project ecosystem. This role is especially important in competitive and innovative industries in which the amount of project work has increased significantly over the past few years.
2. Adopt a consistent process for vetting, prioritizing, implementation planning, and oversight before committing valuable resources for project execution. This kind of project portfolio management is a growing field with global best practices. For example, the Project Management Institute is currently working on its fifth edition of The Standard for Portfolio Management.
3. Commit to strict governance by appointing sponsors and managers to facilitate decision making early in the project lifecycle. This is especially important for politically intense organizations with complex and controversial projects. Such leaders can guide open discussions of sensitive topics and investigate trade-off decisions, reducing the risk of project-killing conflicts.
4. Involve and empower project managers earlier. This strategy is particularly suitable for smaller organizations that may not have the budget or resources to create new executive roles or implement project portfolio management. PMs should be invited into the process during the business case development stage and trained and encouraged to critically question the implementation schedule, resources, and budgets so they are playing a more strategic role rather than just "following orders."

Organizations must be proactive about avoiding the five big pitfalls of project management. Our recommended strategies don't guarantee success, but they will prevent your project from being doomed before it even begins.

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