Integrated Management

An alarming proportion of IT projects do not meet all of their stated objectives. **Ruth Court** investigates the main reasons behind project management failures.

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"Organisations around the world are losing more than a quarter of the benefits of their IT projects because of a failure to manage projects throughout their lifecycle." That's one of the main findings of KPMG's 2005 global IT project management survey. Nearly half of the organisations questioned in the survey also reported a major project failure.

Why do some information systems succeed while others fail? Is it the complexity of the application of a new technology or a lack of understanding of the skills required? Or perhaps the answer lies with the application of project management methods, which embody the tasks, skills and procedures for the development of new information systems.

Before examining project failures, it's necessary to define the meaning of a project. Here are two definitions:

- "The achievement of a specific objective, involving a number of tasks and activities that consume resources. The objective is completed to a set specification and with a finite time scale." (D Yardley, *Successful IT Project Delivery*, Addison Wesley, 2003.)
- 'A management environment that is created for the purpose of delivering one or more business products according to a specified business case." (Central Computer and Telecommunications Agency, *Managing Successful Projects With PRINCE2*, The Stationery Office Books, 1996.)

A project's objectives can be divided into three elements:

- Time – meeting deadlines.
- Cost – keeping to the budget.
- Quality – satisfying the clients' needs.

These elements can be illustrated by a simple diagram known as the time, cost, quality triangle (*see panel 2*). This clearly shows the project's constraints – and that they can work with or against each other. Initially, an organisation may give all three equal weighting, but one of the elements may become more significant as the project progresses. The challenge is to recognise this trade-off and work towards an optimal solution.

Take the development of Concorde, for example. This was sponsored jointly by the governments of France and the UK with the aim of improving the European aerospace industry. In terms of both cost and time it was a complete failure. The project took seven years and required £1.5.bn, taking it way beyond schedule and over budget. It gave rise to the term "Concorde fallacy" – ie, a project that's impossible to terminate before delivery because it has received so much investment. But, even though it exceeded two constraints, the Concorde project met its main objective. The goal of both nations was not a commercial return – the project was never expected to be profitable – but an aligned aerospace industry. More than three decades later, this alignment is starting to bear fruit: the European aerospace industry is now able to compete with that of the US, with Airbus taking over from Boeing as the preferred supplier of commercial jet aircraft around the world.

Just as the definitions of project failure are complex, so are the causes for poor performance. KPMG's IT project management survey identified that failures were mainly caused by the lack of a management process to select business cases for projects and by a reliance on informal measurements of costs and benefits.

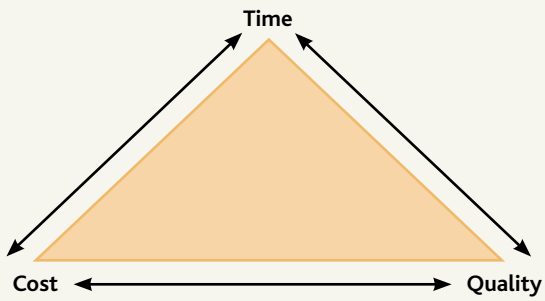
A number of factors contribute towards successful project delivery. They include the following:

- Proper planning with regard to issues such as time, cost and resource constraints.

1 THE FATE OF PROJECTS

Source: Standish Group International, from a survey covering 23,000 IT projects, 2001.

2 PROJECT CONSTRAINTS



In terms of both cost and time the Concorde project was a complete failure, but it met its main objective

- The involvement of users in the development and delivery processes to ensure that their needs are being met and to reduce the necessity for change in the future.
- The participation of competent and committed project staff who have been chosen on the basis of their skills.
- A sense of ownership from senior managers who believe that the project's delivery will improve the overall performance of the business.
- The careful management of constraints to ensure that procedures are in place to control the pace of the project and the money and resources it uses.

Risk management is another key aspect of successful project delivery because it allows the project manager to assess potential pitfalls and set up procedures that will limit the impact of that risk. The risks of the project must be evaluated in terms of the consequences of their occurrence. For example, the failure of a key supplier to deliver will negatively affect the timeliness, cost and quality of the project. If a supplier is finding it hard to meet its deadlines, there may be a need to find a substitute supplier and quality and cost issues may have to be put aside to keep the project on schedule.

This problem is clearly illustrated by the Wembley Stadium project, where the main objective was for it to be ready to host the 2006 FA Cup Final on May 13. To win the £737m order, the main contractor, Multiplex Constructions, had agreed fixed-price contracts with all suppliers. When one of its steel suppliers was unable to deliver on time, it was obliged to enter a variable-price contract with an alternative supplier, affecting the costs of the project and, ultimately, its profits. Shortcomings in contingency planning also forced it to revise the scheduled completion date of the project to the end of September.

There are some cases where the management of risk has a positive effect on a project, whereby objectives are achieved through an emergent strategy. For example, consider a project that requires extra technical resources to minimise time slippage and where all available staff are already fully occupied: the project manager has no choice but to contract in the services of an external expert. Because this person has worked on a number of similar projects they are able to contribute expertise, which will perhaps allow extra features to be added to the solution at no extra cost.

Even the smallest and simplest of projects must have clear criteria for the business case, proper planning and precise measurements of performance. Without these it will be impossible to determine whether the project has succeeded or failed. The challenge is not only to recognise the reasons for project failure but also to put in place procedures that will prevent the problems from recurring and ensure that future projects will be successful. FM

Ruth Court is a tutor specialising in the Integrated Management syllabus at FTC Kaplan. She has also written a feature on PRINCE2, a method used to reduce a project's risk of failure, which is available at www.cimaglobal.com/prince2article.

P5 Recommended reading

D Harris, *Integrated Management Study System* (2005 edition), CIMA Publishing, 2004.
R Lynch, *Corporate Strategy* (third edition), FT/Prentice Hall, 2002.
H Maylor, *Project Management* (third edition), FT/Prentice Hall, 2003.
L Mullins, *Management and Organisational Behaviour* (sixth edition), FT/Prentice Hall, 2002.

Photograph: Alamy Images