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Recovery Project Management: Techniques and Tactics For Reversing Failing Projects

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Understanding Troubled Projects

Professional sports teams treat each new season as a project. For some teams, the only definition of success is winning the championship, while for others success is viewed as just a winning season. Not all teams can win the championship, but having a winning season is certainly within reach.

At the end of the season, perhaps half of the teams will have won more games than they lost. But for the other half of the teams who had losing records, the season (i.e. project) was a failure. When a project failure occurs in professional sports, managers and coaches are fired, there is a shakeup in executive leadership, some players are traded or sold to other teams, and new players are brought on board. These same tactics are used to recover failing projects in industry.

There are some general facts about troubled projects:

- Some projects are doomed to fail regardless of recovery attempts
- The chances of failure on any given project may be greater than the chances of success
- Failure can occur in any life cycle phase; success occurs at the end of the project
- Troubled projects do not go from "green" to "red" overnight
- There are early warning signs, but they are often overlooked or misunderstood
- Most companies have a poor understanding of how to manage troubled projects
- Not all project managers possess the skills to manage a troubled project

Not all projects will be successful. Companies that have a very high degree of project success probably are not working on enough projects and certainly are not taking on very much risk. These types of companies eventually become followers rather than leaders. For companies that desire to be leaders, knowledge on how to turn around a failing or troubled project is essential.

Projects do not get into trouble overnight. There are early warning signs, but most companies seem to overlook them or misunderstand them. Some companies simply ignore the tell-tale signs and continue on hoping for a miracle. Failure to recognize these signs early can make the cost of downstream corrections a very costly endeavor.

Also, the longer you wait to make the corrections, the more costly the changes become.

Some companies perform periodic project health checks. These health checks, even when applied to healthy looking projects, can lead to the discovery that the project may be in trouble even though on the surface the project looks healthy. Outside consultants are often hired for the health checks in order to get an impartial assessment. The consultant rarely takes over the project once the health check is completed, but may have made recommendations for recovery.

When a project gets way off track, the cost of recovery is huge and vast or even new resources may be required for corrections. The ultimate goal for recovery is no longer to finish on time, but to finish with reasonable benefits and value for the customer and the stakeholders. The project's requirements may change during recovery to meet the new goals if they have changed. But regardless of what you do, not all troubled projects can be recovered.

"Root" Causes of Failure

There are numerous causes of project failure. Some causes are quite common in specific industries, such as information technology, whereas others can appear across all industries. Below is a generic list of common causes of failure:

- End user stakeholders not involved throughout the project
- Minimal or no stakeholder backing; lack of ownership
- Weak business case
- Corporate goals not understood at the lower organizational levels
- Plan asks for too much in too little time
- Poor estimates, especially financial
- Unclear stakeholder requirements
- Passive user stakeholder involvement after handoff
- Unclear expectations
- Assumptions, if they exist at all, are unrealistic
- Plans are based upon insufficient data
- No systemization of the planning process
- Planning is performed by a planning group
- Inadequate or incomplete requirements
- Lack of resources
- Assigned resources lack experience
- Staffing requirements are not fully known
- Constantly changing resources
- Poor overall project planning
- Enterprise environmental factors have changes causing outdated scope
- Missed deadlines and no recovery plan
- Budgets are exceeded and out of control
- Lack of replanning on a regular basis
- Lack of attention provided to the human and organizational aspects of the project
- Project estimates are best guesses and not based upon history or standards
- Not enough time provided for proper estimating
- No one knows the exact major milestone dates or due dates for reporting
- Team members working with conflicting requirements
- People are shuffled in and out of the project with little regard for the schedule
- Poor or fragmented cost control
- Each stakeholder uses different organizational process assets, which may be incompatible with the assets of project partners
- Weak project and stakeholder communications
- Poor assessment of risks if done at all
- Wrong type of contract
- Poor project management; team members possess a poor understanding of project management, especially virtual team members
- Technical objectives are more important than business objectives

These causes of project failure can be sorted into three broad categories:

- Management mistakes: These are due to a failure in stakeholder management perhaps by allowing too many unnecessary scope changes, failing to provide proper governance, refusing to make decisions in a timely manner, and ignoring the project manager's quest for help. This can also be the result of wanting to gold-plate the project. This is also the result of not performing project health checks.
- Planning mistakes: These are the result of poor project management, perhaps not following the principles stated in the PMBOK® Guide, not having a timely "kill switch" in the plan, not planning for project audits or health checks, and not selecting the proper tracking metrics.
- External influences: These are normally the failures in assessing the environmental input factors correctly. This includes the timing for getting approvals and

authorization from third parties, and a poor understanding of the host country's culture and politics.

The Definition of Failure

Historically, the definition of success on a project was viewed as accomplishing the work within the triple constraints and obtaining customer acceptance. Today, the triple constraints are still important but it has taken a "back seat" to the business and value components of success. In today's definition, success is when the planned business value is achieved within the imposed constraints and assumptions, and the customer receives the desired value.

While we seem to have a reasonably good understanding of project success, we have a poor understanding of project failure. The project manager and the stakeholders can have different definitions of project failure. The project manager's definition might just be not meeting the triple constraints criteria. Stakeholders, on the other hand, seem more interested in business value than the triple constraints once the project actually begins. Stakeholders' perception of failure might be:

- The project has become too costly for the expected benefits or value
- The project will be completed too late
- The project will not achieve its targeted benefits or value
- The project no longer satisfies the stakeholders' needs

EARLY WARNING SIGNS OF TROUBLE

Projects do not become distressed overnight. They normally go from "green" to "yellow" to "red", and along the way are early warning signs that failure may be imminent or that immediate changes may be necessary.

Typical early warning signs include:

- Business case deterioration
- Different opinions on project's purpose and objectives
- Unhappy/disinterested stakeholders and steering committee members
- Continuous criticism by stakeholders
- Changes in stakeholders without any warning
- No longer a demand for the deliverables or the product
- Invisible sponsorship
- Delayed decisions resulting in missed deadlines
- High tension meetings with team and stakeholders
- Finger-pointing and poor acceptance of responsibility
- Lack of organizational process assets
- Failing to close life cycle phases properly
- High turnover of personnel, especially critical workers
- Unrealistic expectations
- Failure in progress reporting
- Technical failure
- Having to work excessive hours and with heavy work loads
- Unclear milestones and other requirements
- Poor morale
- Everything is a crisis
- Poor attendance at team meetings
- Surprises, slow identification of problems, and constant rework
- Poor change control process

The earlier the warning signs are discovered, the more opportunities exist for recovery. This is the time when a project health check should be conducted. Successful identification and evaluation of the early warning signs can tell us that the distressed project:

- Can succeed according to the original requirements but some minor changes are needed
- Can be repaired but major changes may be necessary
- Cannot succeed and should be killed

There are three possible outcomes when managing a troubled project:

- The project must be completed; i.e. required by law
- The project can be completed but with major costly changes to the requirements
- The project should be canceled
  - Costs and benefits or value are no longer aligned
  - What was once a good idea no longer has merit

Some project cannot be cancelled because they are required by law. These include compliance to government laws on environmental issues, health, safety, pollution, etc… For these projects, failure is not an option. The hardest decision to make is obviously to hit the "kill switch" and cancel the project. Companies that have a good grasp on project management establish processes to make it easy to kill a project that cannot be saved. There is often a great deal of political and cultural resistance to kill a project. Stakeholder management and project governance play a serious role in the ease by which a project can be terminated.

Selecting the Recovery Project Manager (RPM)

Companies often hire outside consultants to perform a health check on a project. If the health check report

indicates that an attempt should be made to recover the troubled project, then perhaps a new project manager should be brought on board with skills in project recovery. Outside consultants normally do not take over the troubled project because they may not have a good grasp of the company's culture, business and project management processes, politics and employee working relationships. Not all project managers possess the skills to be an effective RPM. In addition to possessing project management knowledge, typical skills needed include:

- Strong political courage and political savvy
- A willingness to be totally honest when attacking and reporting the critical issues
- Tenacity to succeed even if it requires a change in resources
- An understanding that effective recovery is based upon information, not emotions.

Recovering a failing project is like winning the "World Series of Poker". In addition to having the right skills, some degree of luck is also required.

Taking over a troubled project is not the same as starting up a new project. Recovery project managers must have a good understand of what they are about to inherit. This includes:

- A burned out team
- An emotionally drained team
- Poor morale
- An exodus of the talented team members that are always in high demand elsewhere
- A team that may have a lack of faith in the recovery process
- Furious customers
- Nervous management
- Invisible sponsorship and governance
- Either invisible or highly active stakeholders

Project managers that do not understand what is involved in the recovery of a troubled project can make matters worse by hoping for a miracle and allowing the "death spiral" to continue to a point where recovery is no longer possible. The death spiral continues if we:

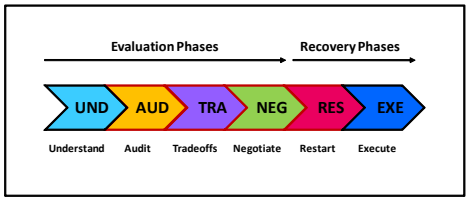
- Force employees to work excessive hours unnecessarily
- Create unnecessary additional work
- Replace team members at an inappropriate time.
- Increase team stress and pressure without understanding the ramifications
- Search for new "miracle" tools to solve some of the issues
- Hire consultants that cannot help or make matters worse by taking too long to understand the issues

Recovery Life Cycle Phases

A company's existing enterprise project management methodology may not be able to help recover a failing project. After all, the company's standard enterprise project management methodology (EPM), which may not have been appropriate for this project, may have been a contributing factor to the project's decline. It is a mistake to believe that any methodology is the miracle cure. Projects are management by people, not tools or methodologies. A different approach may be necessary for the recovery project to succeed.

Figure 1 below shows the typical life cycle phases for a recovery project. These phases can significantly differ from the company's standard methodology life cycle phases. The first four phases in Figure 1 are used for problem assessment and to evaluate and hopefully verify that the project may be able to be saved. The last two phases are where the actual recovery takes place.

FIGURE 1: LIFE CYCLE PHASES FOR RECOVERY PROJECT MANAGEMENT



The Understanding Phase

The purpose of the understanding phase is for the newly assigned RPM to review the project and its history. To do this, the RPM will need some form of mandate or a project charter that may be different than that of his predecessor. This must be done as quickly as possible because time is a constraint rather than a luxury. Typical questions that may be addressed in the mandate include:

- What authority will you have to access proprietary or confidential information? This includes information that may not have been available to your predecessor, such as contractual agreements and actual salaries.
- What support will you be given from the sponsor and the stakeholders? Are there any indications that they will accept less than optimal performance and a descoping of the original requirements?
- Will you be allowed to interview the team members in confidence?
- Will the stakeholders overreact to brutally honest findings even if the problems were caused by the stakeholders and governance groups?

Included in this phase are the following:

- Understanding of the project's history
- Reviewing the business case, expected benefits, and targeted value
- Reviewing the project's objectives
- Reviewing the project's assumptions
- Familiarizing yourself with the stakeholders, their needs and sensitivities
- Seeing if the enterprise environmental factors and organizational process assets are still valid

The Audit Phase

Now that we have an understanding of the project's history, we enter the audit phase which is a critical assessment of the project's existing status. The following is part of the audit phase:

- Assessing the actual performance to date
- Identifying the flaws
- Performing a root cause analysis

- Looking for surface (or easy to identify) failure points

- Looking for hidden failure points

- Determining what are the "must have", "nice to have", "can wait" and "not needed" activities or deliverables
- Looking at the issues log and seeing if the issues are people issues. If there are people issues, can people be removed or replaced?

The audit phase also includes the validation that the objectives are still correct, the benefits and value can be met but perhaps to a lesser degree, the assigned resources possess the proper skills, the roles and responsibilities are assigned to the correct team members, the project's priority is correct and will support the recovery efforts, and executive support is in place. The recovery of a failing project cannot be done in isolation. It requires a recovery team and strong support/sponsorship.

The timing and quality of the executive support needed for recovery is most often based upon the perception of the value of the project. Five important questions that need to be considered as part of value determination are:

- Is the project still of value to the client?
- Is the project still aligned to your company's corporate objectives and strategy?
- Is your company still committed to the project?
- Are the stakeholders still committed?
- Is there overall motivation for rescue?

Since recovery cannot be accomplished in isolation, it is important to interview the team members as part of the audit phase. This may very well be accomplished at the beginning of the audit phase to answer the previous questions. The team members may have strong opinions on what went wrong as well as good ideas for a quick and successful recovery. You must obtain support from the team if recovery is to be successful. This includes:

- Analyzing the culture
- Data gathering and assessment involving the full team
- Making it easy for the team to discuss problems without finger-pointing or the laying of blame
- Interviewing the team members perhaps on a one-on-one basis
- Re-establishing work-life balance
- Re-establishing incentives, if possible

It can be difficult to interview people and get their opinion on where we are, what went wrong, and how to correct it. This is especially true if the people have hidden agendas. If you have a close friend associated with the project, how will you react if they are found guilty of being part of the problem? This is referred to as an emotional cost.

Another problem is that people may want to hide critical information if something went wrong and they could be identified with it. They might view the truth as impacting their chances for career advancement. You may need a comprehensive list of questions to ask to extract the right information.

When a project gets into trouble, people tend to play the "Blame Game" trying to make it appear that someone else is at fault. This may be an attempt to muddy the water and detract the interviewer from the real issues. It is done as part of one's sense of self preservation. It may be difficult to decide who is telling the truth and who is fabricating information.

You may conclude that certain people must be removed from the project if it is to have a chance for recovery. Regardless what the people did, you should allow them to leave the project with dignity. You might say, "Annie is being reassigned to another project that needs her skills. We thank her for the valuable contribution she has made to this project."

Perhaps the worst situation is when you discover that the real problems were with the project's governance. Telling stakeholders and governance groups that they were part of the

problem may not be received well. The author's preference is always to be honest in defining the problems even if it hurts. This response must be handled with tact and diplomacy.

You must also assess the team's morale. This includes:

- Looking at the good things first to build morale
- Determining if the original plan was overly ambitious
- Determining if there were political problems that led to active or passive resistance by the team
- Determining if the work hours and work loads were demoralizing

The Tradeoff Phase

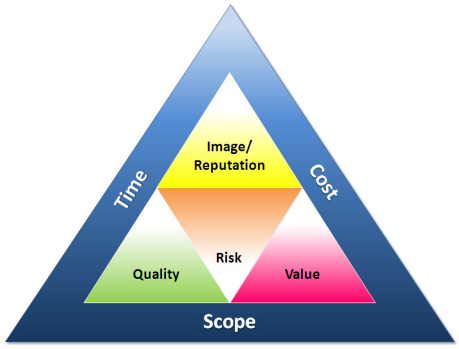
Hopefully by this point you have the necessary information for decision-making as well as the team's support for the recovery. It may be highly unlikely that the original requirements can still be met without some serious tradeoffs. You must now work with the team and determine the tradeoff options that you will present to the stakeholders.

When the project first began, the triple constraints most likely looked like what you see in Figure 2. Time, cost and scope were the primary constraints and tradeoffs would have been made on the secondary constraints of quality, risk, value and image/reputation. When a project becomes distressed, stakeholders know that the original budget and schedule may no longer be valid. The project may take longer and may cost significantly more money than originally thought. As such, the primary concerns for the stakeholders as to whether or not to support the project further may change to value, quality and image/reputation as shown in Figure 3. The tradeoffs that the team will present to the customer and stakeholders will then be tradeoffs on time, cost, scope and possibly risk.

One way of looking at tradeoffs is to review the detailed WBS and identify all activities remaining to be accomplished. The activities are then placed on the grid in Figure 4. The "must have" and "nice to have" work packages or deliverables are often the most costly and the hardest to use for tradeoffs. If vendors are required to provide work package support, then we must perform vendor tradeoffs as well, which include:

- Assessing vendor contractual agreements
- Determining if the vendor can fix the problems
- Determining if vendor concessions and tradeoffs are possible
- Establishing new vendor schedules and pricing

FIGURE 2: THE TRIPLE CONSTRAINT



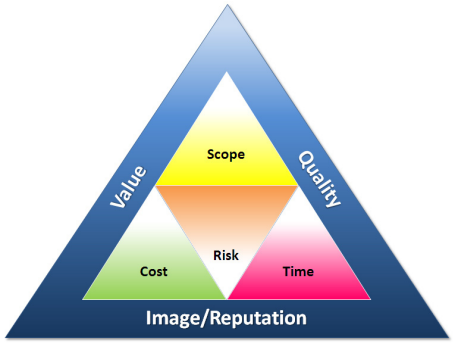
Once all of the elements are placed on the grid in Figure 4, the team will assist the RPM with tradeoffs by answering the following questions:

- Where are the tradeoffs?
- What are the expected casualties?
- What can and cannot be done?
- What must be fixed first?
- Can we stop the bleeding?
- Have the priorities of the constraints changed?
- Have the features changed?
- What are the risks?

Once the tradeoffs have been discovered, the RPM and the team must prepare a presentation for the stakeholders. There are two primary questions that the RPM will need to discuss with the stakeholders:

- Is the project worth saving? If the project is not worth saving, then you must have the courage to say so. Unless a valid business reason exists for continuation, you must recommend cancellation.
- If the project is worth saving, can we expect a full or partial recovery, and by when?

FIGURE 3: THE MODIFIED TRIPLE CONSTRAINT



There are also other factors that most likely are concerns of the stakeholders and must be addressed. These factors include:

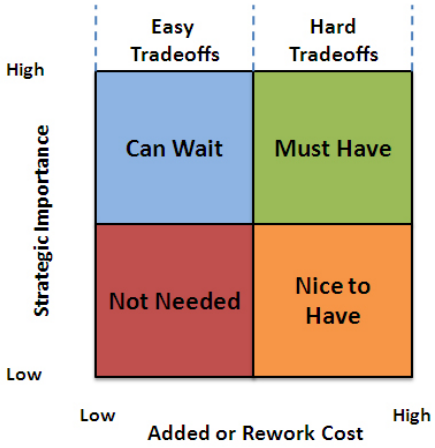
- Changes In the political environment
- Existing or potential lawsuits
- Changes in the enterprise environmental factors
- Changes in the organizational process assets
- Changes in the business case
- Changes in the assumptions
- Changes in the expected benefits and final value

The Negotiation Phase

At this point, the RPM is ready for stakeholder negotiations. Items that must be addressed as part of stakeholder negotiations include:

- What items are important to the stakeholders? (i.e. time, cost, value, etc...)
- Prioritization of the tradeoffs
- Honesty in your beliefs for recovery
- Not giving them unrealistic expectations
- Getting their buy-in
- Negotiating for the needed sponsorship and stakeholder support

FIGURE 4: TRADEOFF CATEGORIES



The Restart Phase

Assuming the stakeholders have agreed to a recovery process, you are now ready to restart the project. This includes:

- Briefing the team on stakeholder negotiations
- Making sure the team learns from past mistakes
- Introducing the team to the stakeholders' agreed upon recovery plan including the agreed upon milestones
- Identifying any changes to the way the project will be managed
- Fully engaging the project sponsor as well as the key stakeholders for their support
- Identifying any changes to the roles and responsibilities of the team members

There are three restarting options. These include:

- Full anesthetic: bring all work to a standstill until the recovery plan is finalized
- Partial anesthetic: bring some work to a standstill until the scope is stabilized
- Scope modification: continue work but with modifications as necessary

Albert Einstein once said: "We cannot solve our problems with the same thinking we used when we created them." It may be necessary to bring on board new people with new ideas. However, there are risks. You may want these people full-time on your project but retaining highly qualified workers that may be in high demand elsewhere could be difficult. Since your project most likely will slip, some of your team members may be committed to others projects about to begin. However, you may be lucky enough to have strong executive-level sponsorship and retain these people. This could allow you to use a co-located team organization.

The Execution Phase

During the execution phase, the project manager must focus upon certain back-to-work implementation factors. These include:

- Learning from past mistakes
- Stabilizing scope
- Rigidly enforcing the scope change control process
- Performing periodic critical health checks and using earned value measurement reporting
- Providing effective and essential communications
- Maintaining positive morale
- Adopting proactive stakeholder management
- Not relying upon or expecting the company's EPM system to save you
- Not allowing unwanted stakeholder intervention, which increases pressure
- Carefully managing stakeholder expectations
- Insulating the team from politics

Recovery project management is not easy, and there is no guarantee you can or will success. You will be under close supervision and scrutinized by superiors and stakeholders. You may even be required to explain all of your actions. But saving a potentially troubled project from disaster is certain worth the added effort.

Other Kerzner White Papers:

- ***Project Health Checks***
- ***The Future of Project Management***
- ***Twenty Common Mistakes Made By New or Inexperienced Project Managers***