FDIC

FEDERAL DEPOSIT INSURANCE CORPORATION

Avoiding the Common Causes of Project Failure

Take action to ensure project success

Learning Objectives

- This document is primarily aimed at those managing or otherwise involved in the delivery of projects across the government.
- Addressing the stated issues should enable you to increase the success rate on government projects.
- At the end of this module, you will be able to:
  - Identify reasons why projects fail.
  - Prevent project failure.
  - Be accountable for successful projects.

About FDIC Small Business Resource Effort

- The Federal Deposit Insurance Corporation (FDIC) recognizes the important contributions made by small, veteran, and minority and women-owned businesses to our economy. For that reason, we strive to provide small businesses with opportunities to contract with the FDIC. In furtherance of this goal, the FDIC has initiated the FDIC Small Business Resource Effort to assist the small vendors that provide products, services, and solutions to the FDIC.
- The objective of the Small Business Resource Effort is to provide information and the tools small vendors need to become better positioned to compete for contracts and subcontracts at the FDIC. To achieve this objective, the Small Business Resource Effort references outside resources critical for qualified vendors, leverages technology to provide education according to perceived needs, and offers connectivity through resourcing, accessibility, counseling, coaching, and guidance where applicable.
- This product was developed by the FDIC Office of Minority and Women Inclusion (OMWI). OMWI has responsibility for oversight of the Small Business Resource Effort.

Executive Summary

- For small businesses holding government contracts, there are multiple challenges to ensuring a successful engagement. It is important to identify these challenges and adequately plan to avoid common causes of project failure.
- Typical causes of project failure occur when the following criteria for success are not met:
  1. on time delivery,
  2. on or under budget, and
  3. acceptance by client based on stated scope of work.
- Only a few projects achieve all three criteria. Many more are delivered which fail on one or more of these criteria, and a substantial number fail badly enough that they are cancelled.
- You can take certain actions which will ensure your contracts do not fail.

Common Causes of Project Failure

- Projects often fail because of one or more of the following five reasons:
  1. Poor planning.
  2. Lack of leadership.
  3. Inadequate knowledge.
  4. People problems.
  5. Lifecycle problems.

Reason 1: Poor Planning

- Poor planning can include:
  - Lack of communication.
  - Not breaking down development into phases or steps.
  - Not prioritizing operational activities or objectives.
  - Not obtaining stakeholder approval.
  - No business plan or inadequate business plan.
  - Unrealistic expectations set, e.g., financial investment, time required, set-up costs.
  - Inadequate funding/capital or poor use of funding/capital.
  - Lack of time commitment.
  - Unrealistic schedule.

Reason 2: Lack of Leadership

- Lack of leadership can include:
  - Not defining ownership or the leadership structure or not identifying decision makers.
  - Failure to establish a governance structure appropriate to the needs of the project.
  - Not making decisions timely or decisively.
  - Lacking relevant business and management expertise in areas such as finance, purchasing, selling, production, and hiring and managing employees.
  - Neglecting your leadership role.
  - Not having a strategic vision.
  - Holding unrealistic expectations of others.

Reason 3: Inadequate Knowledge

- Inadequate knowledge can include:
  - Lacking skills and a proven approach to project management.
  - Failing to price your product or service correctly.
  - Not addressing potential risks due to inexperience.
  - Not estimating, monitoring, or controlling expenditures.
  - Not putting a process in place for measuring and tracking results.
  - Having an incomplete or vague project work plan.
  - Using inadequate control systems.

Reason 4: People Problems

- People problems can include:
  - Lacking contact with senior management.
  - Lacking leadership.
  - Lacking effective project team integration between clients, the supplier team, and the supply chain.
  - Lacking clear roles and responsibilities among team members.
  - Being unable to resolve conflicts.
  - Not having adequate resources due to under/over estimation of work.

Reason 5: Lifecycle Problems

- Lifecycle problems can include:
  - Failing to clearly and completely define the requirements, resulting in building the wrong features or gaps in the features needed.
  - Using new or state-of-the-art technology that causes unanticipated problems.
  - Using a poor technical design that does not allow for modification or is not scalable.
  - Changing requirements late in the project and continuing change requests which may cause the project to get off track or loss in project focus.
  - Using technology components that do not fit together as designed.
  - Using poor initial testing techniques that cause repeated errors.

8 Common Issues to Address

1. Lack of clear links between the project and the organization's key strategic priorities, including agreed upon measures of success.
2. Lack of clear senior management ownership and leadership.
3. Lack of effective engagement with project stakeholders.
4. Lack of skills and proven approach to project management and risk management.
5. Too little attention to breaking developments and implementation into manageable steps.
6. Evaluation of proposals driven by initial price rather than long-term value for money (especially securing delivery of business benefits).
7. Lack of project understanding and contact with the industry at senior levels in the organization
8. Lack of effective project team integration between clients, the supplier team, and the supply/resource chain.

8 Common Issues to Address: Issue #1 *(Slide 1 of 2)*

1. **Lack of clear links between the project and the organization's key strategic priorities, including agreed upon measures of success.**
   - Do we know how the priority of this project compares and aligns with our other delivery and operational activities?
   - Have we defined the critical success factors (CSFs) for the project?
     - CSFs are defined as a limited number (usually between three to eight) of characteristics, conditions, or variables that have a direct and serious impact on the effectiveness, efficiency, and viability of an organization, program, or project.
     - Activities associated with CSFs must be performed at the highest possible level of excellence to achieve the intended overall objectives.
   - Have the CSFs been agreed to by suppliers and key stakeholders?
   - Do we have a clear project plan that covers the full period of the planned delivery and all business changes required, and indicates the means of benefits realization?

8 Common Issues to Address: Issue #1 *(Slide 2 of 2)*

- Is the project founded upon realistic timescales, taking into account statutory lead-times, and showing critical dependencies such that any delays can be handled?
- Are the lessons learned from relevant projects being applied?
- Has an analysis been undertaken of the effects of any slippage in time, cost, scope, or quality? In the event of a problem/conflict at least one must be sacrificed.

8 Common Issues to Address: Issue #2 *(Slide 1 of 2)*

2. **Lack of clear senior management ownership and leadership.**
   - Does the project management team have a clear view of the interdependencies between projects, the benefits, and the criteria against which success will be judged?
   - If the project traverses organizational boundaries, are there clear governance arrangements to ensure sustainable alignment with the business objectives of all organizations involved?
   - Are all proposed commitments and announcements first checked for delivery implications?
   - Are decisions made early, decisively, and adhered to, in order to facilitate successful delivery?

8 Common Issues to Address: Issue #2 *(Slide 2 of 2)*

- Does the project have the necessary approval to proceed from its nominated Oversight Manager either directly or through delegated authority to a designated Senior Responsible Owner (SRO)?
- Does the SRO have the ability, responsibility, and authority to ensure that the business change and business benefits are delivered?
- Does the SRO have a suitable track record of delivery? Where necessary, is this being optimized through training?

8 Common Issues to Address: Issue #3

3. **Lack of effective engagement with project stakeholders.**
   - Have we identified the right stakeholders?
   - Have we, as intelligent customers, identified the rationale for doing so (e.g., the why, the what, the who, the where, the when, and the how)?
   - Have we secured a common understanding and agreement of stakeholder requirements?
   - Does the business case take into account the views of all stakeholders, including users?
   - Do we understand how we will manage stakeholders (e.g., ensure buy-in, overcome resistance to change, allocate risk to the party best able to manage it)?
   - Has sufficient account been taken of the existing organizational culture?
   - While ensuring that there is clear accountability, how can we resolve any conflicting priorities?

8 Common Issues to Address: Issue #4 *(Slide 1 of 2)*

4. **Lack of skills and proven approach to project management and risk management.**
   - Is there a skilled and experienced project team with clearly defined roles and responsibilities? If not, is there access to expertise, which can benefit those fulfilling the requisite roles?
   - Are the major risks identified, weighted, and treated by the SRO, the Director, and Project Manager, and/or project team?
   - Has sufficient resourcing, financial and otherwise, been allocated to the project, including an allowance for risk?
   - Do we have adequate approaches for estimating, monitoring, and controlling the total expenditure on projects?

8 Common Issues to Address: Issue #4 *(Slide 2 of 2)*

- Do we have effective systems for measuring and tracking the realization of benefits in the business case?
- Are the governance arrangements robust enough to ensure that "bad news" is not filtered out of progress reports to senior managers until an adequate resolution is highlighted?
- If external consultants (subcontractors) are used, are they accountable and committed to helping ensure successful and timely delivery?

8 Common Issues to Address: Issue #5

5. **Too little attention to breaking developments and implementation into manageable steps.**
   – Has the approach been tested to ensure it is appropriate in scope (e.g., in IT-enabled projects)?
   – Has sufficient time been built-in to allow for planning applications in property and construction projects for example?
   – Have we done our best to keep delivery timescales short so that change during development is avoided?
   – Have enough review points been built-in so that the project can be stopped, if changing circumstances mean that the business benefits are no longer achievable or no longer represent value for the money?
   – Is there a business continuity plan in the event of late project delivery or failing to deliver at all?
      - Create a business continuity plan by assessing how potential risks to your business will impact your ability to deliver products and services. Define risks in advance and determine how you will mitigate them. Arrange back-up vendors or suppliers to supply critical resources or materials.

8 Common Issues to Address: Issue #6

6. **Evaluation of proposals driven by price rather than long-term value (especially securing delivery of business benefits).**
   - Do we have a proposed evaluation approach that allows us to balance financial factors against quality and security of delivery?
   - Is the evaluation based on whole-life value for money, taking account of capital, maintenance, and service costs?
   - Does the evaluation approach take account of business criticality and affordability?
   - Is the evaluation approach business driven?

8 Common Issues to Address: Issue #7 *(Slide 1 of 2)*

7. **Lack of understanding of, and contact with the industry at senior levels in the organization.**
   - Have we tested that the industry understands our approach and agrees that it is achievable?
   - Have we asked suppliers to state any assumptions they are making against their proposals?
   - Have we checked that the project will attract sufficient competitive interest?
   - Is senior management sufficiently engaged with the industry to be able to assess supply-side risks?
   - Do we have a clear strategy for engaging with the industry or are we making sourcing decisions on a piecemeal basis?

8 Common Issues to Address: Issue #7 *(Slide 2 of 2)*

– Are the processes in place to ensure that all parties have a clear understanding of their roles and responsibilities, and a shared understanding of desired outcomes, key terms, and deadlines?
– Do we understand the dynamics of the industry to determine whether our acquisition requirements can be met, given potentially competing pressures in other sectors of the economy?

8 Common Issues to Address: Issue #8

8. **Lack of effective project team integration between clients, the supplier team, and the supply/resource chain.**
   - Has a market evaluation been undertaken to test market responsiveness to the requirements being sought?
   - Are the procurement routes that allow integration of the project team being used?
   - Is there early supplier involvement to help determine and validate what outputs and outcomes are sought for the project?
   - Has a shared-risk register been established?
   - Have arrangements for sharing efficiency gains throughout the supply team been established?

How to Prevent Project Failure

(Slide 1 of 2)

- Require weekly status reports that include:
  - Project start and completion dates.
  - Which milestones you've passed.
  - Percentage of the project that is complete.
  - Any accomplishments worth mentioning.
  - Important meetings attended.
  - Any threats or potential risks to the projected timeline.
  - Description of any problems you've encountered and resolved.
  - Personnel or equipment limitations.
  - Budget status.
- Build an effective team by considering:
  - Employee skill, experience, participation ability, the projects they are already working on, and morale.
  - Pair newer resources with mentors.
- Set a realistic schedule and stick with it.
- Establish concrete, clear goal planning in project management.

How to Prevent Project Failure

(Slide 2 of 2)

- Ensure senior management ownership and leadership from the beginning.
- Require effective engagement with project stakeholders.
- Ensure adequate skills and proven approach to project management and risk management.
- Pay attention to breaking developments and implementation into manageable steps.
- Evaluate proposals based on long-term value rather than price to secure delivery of business benefits.
- Maintain connectivity with the industry at senior levels.
- Ensure effective project team integration between clients and the supply/resource chain.

Key Takeaways from This Module

- For small businesses holding government contracts, there are multiple challenges to ensuring a successful engagement.
- It is important to identify these challenges and adequately plan to avoid common causes of project failure.
- Project failure can be avoided by:
  - Planning properly.
  - Hiring the right team.
  - Putting the right metrics in place.
  - Creating clear links between the project and the organization's key strategic priorities.

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