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News

The Cost of Troubled Projects

ARLINGTON, Va. USA – August 4, 2008 – According to research conducted jointly by ESI International and the project benchmarking company Independent Project Analysis (IPA), troubled projects are costing taxpayers millions. The study reveals:

34 percent of all projects succeed.
 An average of 15 percent of all projects fail.
 - Projects that are considered "challenged" – usually due to cost or schedule overruns – account for 51 percent of all projects.

The lost dollar value for U.S. projects in 2002 alone is estimated at US\$38 billion, with another US\$17 billion in cost overruns, for a total project waste of US\$55 billion against US\$255 billion in project spending (The Standish Group 2003).

59 percent of organizations in the Asia-Pacific region had at least one project failure with an average cost of US\$8.9 million.

Africa, Europe and the Americas followed suit with an average of 56 percent of the organizations reporting at least one project failure with an average cost of US\$11.6 million (KPMG International 2003).

"Tangible results require tangible skills. Effective project management can save organizations millions, if not billions of dollars in lost revenue," said J. LeRoy Ward, PMP, PgMP, Executive Vice President at ESI International, a global organization specializing in project and program management performance improvement.

The study reveals that troubled projects are a worldwide affliction. From the U.S., UK, to the Asian Pacific Rim, cost overruns coupled with failed timelines lead to sidetracked projects and, ultimately, wasted resources in the form of time, dollars and people.

In 2003 the United Kingdom's Office of Government Commerce (OGC) reported the cost of over-budget government IT projects had exceeded £1.5 billion or about US\$3 billion over the last 6 years.

In mid 2007, the Economist Intelligence Unit reported the results of their survey of 145 senior global executives from different industries on their current and planned IT projects. Twenty percent of the executives stated over half of their IT projects started in the past two years were late or over budget. In addition, only 13 percent of the executives felt their IT projects had delivered the promised features and functions. Poor project management was attributed as the primary cause for IT project problems.

"Projects with poorly defined scope, undeveloped teams, and whose cost and schedule lack detail at the time of execution are more likely to not meet business objectives," said Mary Ellen Yarossi, Director, IPA Institute. "Based on the IPA database of more than 300 IT projects, the quality of project scope development in conjunction with team effectiveness allows projects that have more predictable and more effective project results. Best practices have been shown to reduce costs by 10 percent, reduce execution and implementation time by 8 percent, and improve performance by 10 percent. These project improvements can take a 15 percent rate of return project and turn it into a 24 percent rate of return project, a 60 percent improvement."

The State of Wisconsin lost US\$122 million due to failed projects in 2007. According to the Joint Legislative Audit and Review Commission of the Virginia General Assembly, the State of Virginia wasted \$75 million on failed development efforts, with an additional \$28 million incurred in cost overruns in 2003. The State of Texas has run into similar issues.

"When a project fails, it's important to first acknowledge what's happening," said Ward. Signs of failure include strained team relationships, long hours and threats of legal action. "Troubled project recovery is one of the greatest challenges a project manager can face, but the pay off is enormous."

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