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Lackluster Project Management Leads to Lost Productivity, Time and Money



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The management of a project has a significant impact on the outcome. If the management is incompetent, the project is likely to suffer. If it is managed effectively, money will be used appropriately, the project will be finished according to specifications and possibly even on time.

ESI International and the project benchmarking company, Independent Project Analysis (IPA), recently conducted research that determined that troubled projects are costing taxpayers millions of dollars.

According to the findings of the study, while 34 percent of all projects succeed, an average of 15 percent ultimately fail. Projects generally are considered to be challenged when the cost gets out of hand or the schedule overruns. Challenged projects account for 51 percent of all projects.

In 2002 alone, the lost dollar value for U.S. projects was estimated at \$38 billion, with another \$17 billion in cost overruns, for a total project waste of \$55 billion vs. \$255 billion in project spending, according to The Standish Group.

ESI and the IPA also noted that 59 percent of organizations in the Asia-Pacific region had at least one project failure with an average cost of \$8.9 million. According to KPMG International, Africa, Europe and the Americas had an average of 56 percent of the organizations reporting at least one project failure with an average cost of \$11.6 million.

“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, in a Monday statement. ESI is a global organization specializing in project and program management performance improvement.

The study also found that troubled projects are not limited to only one geographic area or one country. Cost overruns coupled with failed timelines lead to sidetracked projects and eventually wasted resources of time, dollars and people in countries all around the world.

The United Kingdom’s Office of Government Commerce (OGC) reported in 2003 the cost of over-budget government IT projects had exceeded \$3 billion over the previous six years.

In 2007, the Economist Intelligence Unit revealed the results of their survey of 145 senior global executives from different industries on their current and planned IT projects. Of those executives interviewed, 20 percent stated that more than half of their IT projects over the previous two years were later or over budget.

In addition, only 13 percent of the executives felt their IT projects had delivered the promised features and functions. The primary cause identified for the IT project problems was poor project management.

“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, in the statement.

“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,” Yarossi said. “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.”

Consider these facts that are a little closer to home: The State of Wisconsin lost \$122 million due to failed projects in 2007. The State of Virginia wasted \$75 million on failed development efforts, according to the Joint Legislative Audit and Review Commission of the Virginia General Assembly. An additional \$28 million incurred in cost overruns in 2003 and the state of Texas has run into similar issues.

“When a project fails, it’s important to first acknowledge what’s happening,” Ward said. 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.”

Without proper management, enterprises and government entities are wasting valuable resources that could be spent on profit and revenue generating practices. The first step in fixing the problem is first being able to identify it. If the findings of this study fail to generate questions in both the commercial and government sectors, the problem may be bigger than previously suspected.

Susan J. Campbell is a contributing editor for TMC and has also written for eastbiz.com. To see more of her articles, please visit [Susan J. Campbell's columnist page](#).

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