



managementors

creating sustainable business advantage

White paper

# Creating a climate for project success

This white paper takes a look at the evolution of project management and challenges what we mean by project 'success', as well as exploring some of the common pitfalls and challenges faced which cause projects to underperform.



## About Managementors

As a results-based consultancy, we help service industry organisations generate true performance improvements that translate into tangible margin growth.

We've proved this time and time again for many leading-edge blue chip organisations, including Computacenter, Fujitsu, Amey, Babcock International and Kier.

Our expertise has helped many service and support organisations achieve lasting change. By introducing effective performance management into their operations, they have reaped the rewards of significant and sustained productivity improvements — over 30% in some cases.

Project management is not a new profession, with many of the fundamentals remaining virtually unchanged for hundreds of years. Despite this, statistics spanning a range of industries show that blown budgets and overruns almost appear to be the accepted norm.

This white paper takes a look at the evolution of project management and challenges what we mean by project 'success', as well as exploring some of the common pitfalls and challenges faced which cause projects to underperform.



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## **About Managementors**

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In recent years, there have been countless examples of high-profile projects in the UK blowing both their budgets and their deadlines. Three years late and nearly 10 times, or 935% over budget, the Scottish Parliament Building went down as one of the greatest cost overruns in the global construction industry.<sup>1</sup>

The development of England's international football stadium at Wembley was plagued by a succession of financial and legal difficulties. Despite British Sports Minister Richard Caborn promising in October 2005 that the stadium would be ready for the Cup Final in May 2006, "barring six feet of snow", the stadium did not open its doors until March 2007<sup>2</sup> (and there was no snow!)

More recently, the controversial 'Shard' in London was completed on time, however came in 243% over budget at £1.5bn, and a year after completion just 6 of the skyscraper's 72 floors were in use.<sup>3</sup> London's Crossrail project is on its third 'rescue plan'<sup>4</sup> of 2018, and is currently expected to come in at around £3bn over budget. With an original delivery date of December 2018, a new opening date is yet to be set.<sup>5</sup>

These are extreme, (although not uncommon), examples of big budget, ambitious and internationally renowned projects. However, whilst large projects (over £8m) are twice as likely to be late, over-budget and missing critical features than small projects (under £800k)<sup>6</sup>, the evidence strongly suggests that the same problems permeate projects of all sizes and sectors. Studies by Wrike estimate that just 39% of all projects succeed, with the average overspend being 59% and the average time overrun being 74%.<sup>7</sup> An alarming 75% of IT project leaders believe their projects are "doomed from the start."<sup>8</sup>

These statistics do not make for pleasant reading, but whilst the exact percentages vary depending on the source, the message is clear: project underperformance and overruns almost appear to be the accepted norm. Worryingly, for many businesses, it is not even possible to understand how successful (or not) their projects have been, as according to a study by Wellington, over 1 in 3 (34%) projects have no baseline<sup>9</sup>, and therefore nothing to measure the project against.

Despite this, project management as an industry is growing. Within the UK, the project management profession is expected to have over 168,000 new job openings between 2017 and 2027, with manufacturing and construction creating the most opportunities, followed by information services and publishing, then finance and insurance.<sup>10</sup> With demand for project management professionals growing so rapidly, this is anticipated to create a project management talent gap, posing further challenges to project-orientated organisations and project delivery success rates.



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# What do we mean by project ‘success’?

Traditionally, project success has been measured as the project being on time, on scope and in budget: ‘the triple constraint triangle’.

However, it is becoming increasingly recognised that there is more to project success than the ‘triple constraints’. The Project Management Institute (PMI) argues that, “the traditional measures of scope, time, and cost are essential but no longer sufficient in today’s competitive environment. The ability of projects to deliver what they set out to do—the expected business benefits—is what organisations need.”<sup>11</sup>

Milhauser suggests that elements such as programme, portfolio and organisational business results should be considered alongside individual project results, and that factors such as teamwork should also be included in understanding project success.

Whilst both tangible and intangible measures should be considered, the return on the investment (ROI) made in the project is likely to be a critical success factor, i.e. the financial savings or loss generated relative to the amount of money invested. For example, a project investment of £500k may deliver £2m of savings to a business or a 4:1 ROI. Astonishingly though, according to a study by KPMG, 60% of companies do not measure their ROI on projects<sup>12</sup>. Whilst companies continue to plough time, money and resources into projects, they do not appear to be adequately investing in agreeing appropriate performance measures through which to drive projects, or in fully understanding the business benefits the project has (or has not) delivered.



## 22mil

new project management jobs will be created during the next decade



## 168k

new job openings in the UK between 2017 and 2027



## 88mil

individuals working in project management-orientated roles by 2027



## 33%

growth in project management labour force by 2027

Sources:

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12. <http://www.projectmanagementworks.co.uk/project-failure-statistics/>

# Project Management as a profession, pitfalls and challenges

Project management is not new. Although it began to emerge more formally in the early 19th century, with the development of the Gantt chart by Henry Gantt, project management, in some form or another, has been around since early civilisation. Indeed, the earliest examples of 'project management' can be seen thousands of years ago with the construction of the Ancient Wonders of the World, such as the Great Pyramid of Giza (2570 BC)<sup>13</sup> and the Great Wall of China (208 BC). The Transcontinental Railroad across the United States of America (completed 1869) is widely recognised as the first true project management undertaking in modern times.<sup>14</sup> It was not until the eighties, however, that project management started to become a recognised career path with formal qualifications. In 2017, the Association for Project Managers (APM) received its Royal Charter and can now award 'Chartered Project Professional' (ChPP) status to project managers meeting the required criteria. This signifies an important step in professionalising project management as a career, establishing chartered status as a key benchmark of quality going forwards.

Although over the thousands of years that projects have been 'managed', project management methodologies, tools and technologies have developed and evolved, the core principles of project management remain little changed from ancient Egyptian times. Ultimately, at its very simplest, project management is about managing resources, creating effective plans and coordinating different activities and tasks to an agreed timeframe and cost. So why do so many projects continue to suffer from poor performance?

In recent years, we have worked with Project Managers across a range of industries, including construction, engineering and I.T. Although the construction, engineering and I.T. working environments differ enormously, many of the challenges observed and the reasons for poor project performance are similar.

Good planning is a core competency of effective project management, yet is often sorely lacking. In our experience, even in large, corporate organisations with dedicated in-house project management teams, project management basics are often overlooked, or carried out with a low level of maturity. Lack of investment in developing a comprehensive plan with identified dependencies, and project activities broken down to an appropriate level of detail, makes controlling the 'actual' against the 'plan' virtually impossible. How can you know whether you are on track if the project activity is several weeks' or even months' long?

Similarly, where the plan lacks clear expectations with regards to how long tasks should take (i.e. accurate planning guidelines), it is common to see jobs being expanded to fill the available time. Without planning guidelines or 'norms', issues are masked, and when issues are not identified and escalated to a forum where they can be resolved, they are likely to recur, leading to further cost, delay and frustration within the project team.

In our experience, lack of appropriate controls with regards to governance, people and processes are at the core of project underperformance. Whether this is weak control of overtime, an ineffective review process, or a lack of active supervision, without strong project controls being in place, the severity and impact of issues on the overall project plan are often only fully understood when it is too late. Implementing the appropriate level of short interval control ensures that problems are spotted early and that corrective action can be taken to get the project back on track if required.

Perhaps it is not surprising that basic project management behaviours are often sub-par, when many organisations appear not to fully understand the value of effective project management. In our experience, there can often be a conflicted perception of the role of the project manager. Whilst, in our view, the project manager should have ultimate responsibility for fulfilling project objectives, with budgetary control and decision-making authority, it is not uncommon for project managers to be seen or to act as expensive administrators, rather than being the driving force behind the project.

## Sources:

13. <https://www.projectsmart.co.uk/brief-history-of-project-management.php>

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# Conclusions

In the last 5 years, we have seen a decrease from 13.5% to 9.9% in the amount of money that organisations are wasting as a result of poor project performance. Whilst this is a move in the right direction, when scaled to encompass total global capital investment, this means that around £800k is still being wasted every 20 seconds—or £1.6 trillion every year.<sup>15</sup> A large proportion of capital/infrastructure projects within the UK are government funded, therefore the wastage caused by poor project planning and passive project management continues to hit the taxpayer hard in the pocket. This presents both businesses and the government with a huge opportunity. If wastage caused by poor project performance was reduced by even relatively small amounts (5% to 10%) the financial impact on these organisations, as well as the wider economy, would be transformational. Beyond the positive impact on the bottom line, various other benefits would flow through, such as enhanced service/product quality, customer experience, pricing power and reputation.

In order to achieve this, businesses must recognise the importance of project management in delivering their strategic objectives. Businesses need to have clear expectations of the role they need their project managers to play, and ensure that their people are adequately equipped with the diverse skillset required to excel in this role.

Not only do businesses need to equip their people better to deliver quality projects, but they also need to be better at understanding project performance. Appropriate controls must be put in place in order to identify and remove the issues causing delays and incurring cost. Furthermore, projects must also have rounded, well-defined, specific and attainable measures of success, which have been baselined and, importantly, signed up to by the project team. Not only do successful project managers use these to drive project performance, but by having a clear understanding both of where their projects have succeeded and where they have fallen short, they can seek to continuously improve.



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