

The Total Impact of Project Failure

Projects that fail to reach the finish line on time, on budget, or in scope carry an unexpected and unwanted additional price tag. However, the impact of project failure goes far beyond extra costs for staff, equipment and other resources. They also include a 3 other major consequences that, in the bigger picture, can undermine organizational success, strength and stability.

Failure to Meet Business Requirements

All projects are driven by a set of core business requirements that combine to form the essential “why” of the project. They are the reasons for the very existence of the project. But when projects fail, these core business requirements remain unsatisfied and unresolved (either in whole or part), and another project is required; provided that the opportunity still exists. Sometimes, organizations don't have the option—even if they have the budget—to try again.

Failure to Innovate

In today's hyper-competitive marketplace, organizations need to innovate across all areas so they can ensure today's successes translates into tomorrow's strengths. However, project failure can dramatically undermine this aim by stealing resources and focus. And so, instead of looking forward and raising the bar, organizations wrestling with project failure find themselves applying an endless series of short-term fixes that buy time before the next problem, crisis or catastrophe. In an environment like this, continuous innovation isn't just difficult; it's impossible.

Failure to Develop

Talent can be more valuable and scarce than capital, which is why organizations must constantly develop their people. However, just as how project failure undercuts innovation, it also undermines staff development. Instead of achieving synergies and improving skills, individuals and workgroups retreat to their “disconnected islands of activity”. While this may suit under-performers, it compels top talent to flee to other organizations where project failure isn't typical or tolerated.

Looking Ahead

As described above, the total cost of project failure extends far beyond the direct costs of missing deadlines and performing re-work. It also includes a failure to meet business requirements, a failure to innovate, and a failure to develop. And while even one of these failures is enough to destabilize an organization, having all of them erupt at the same time can be devastating.

Fortunately, organizations don't have to resign themselves to these consequences, because there are practical ways to dramatically improve project success rates—and make project failure the exception, rather than the norm.

We'll be exploring that next...