



Identifying and Rescuing Runaway Projects

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I. Introduction

A runaway project is one that gets out of control; it exceeds its allocated budget, time, or both. According to The Standish Group, 51 percent of IT projects are challenged (they exceed their allocated time or budget) and 15 percent outright fail.

Failed IT projects can have a profound financial impact on a company. A canceled internal IT project must be expensed immediately (GAAP SOP 98-1). In addition, because of Sarbanes-Oxley, material events must be reported within three days. Excessive cost overruns or project failures, however, do not have to be the fate of most runaway IT projects. Many can be rescued if they are first identified and then contained and controlled.

II. Identifying Runaway Projects

Projects do not suddenly get out of control; there are always early warning signs that indicate a project is in jeopardy. Identifying a runaway project (or one that can potentially become a runaway project) consist of recognizing the early warning signs that precede project failure.

Spending More Time and More Money

The two most obvious signs of a runaway project are missed deadlines and team members constantly coming back for more money. If these have occurred, the project is probably already out of control.

There are some legitimate reasons (such as a change in the scope of the project) for spending more time and money on a project than what was originally allocated. If rigorous project change control is practiced, however, the schedule or budget “overage” should not be a surprise because they would have already been approved.

The key to knowing to what degree the project is out of control is whether the missed deadlines and requests for more money are anomalies or trends. The Project Manager should have assigned a dollar value to each of the project’s deliverables. If the actual

dollars spent on a deliverable start to exceed the budget, it should be noted whether this occurrence is an anomaly or a trend.

Project Charter and Project Plan

The project charter and project plan are crucial to the success of an IT project. They should have been in place before the project began. Without them, no one is accountable for the runaway project.

The project charter (also called the Statement of Work or SOW) is the defining document of an IT project. It indicates things such as how the deliverables are defined and who has acceptance authority. The lack of a project charter is a definite sign that a project is (or will become) out of control.

If there is a project plan, people should be doing work according to it. Having team members who are not working on tasks in the project plan is a sign that the project is not being managed properly.

The project plan should be updated weekly. A project plan that is non-existent or is not up-to-date is also a definite sign that a project is (or will become) out of control.

Quick Acid Tests

In addition to identifying a runaway project by using the latter signs, there are two charts that can be used as quick acid tests for determining if a project is out of control: planned task starts vs. actual task starts and planned task completions vs. actual completions.

With properly planned projects, the number of planned starts plotted over time should resemble a 45-degree line and the number of planned completions should resemble the first line and lag it by a week or two (see Figures 1 and 2).

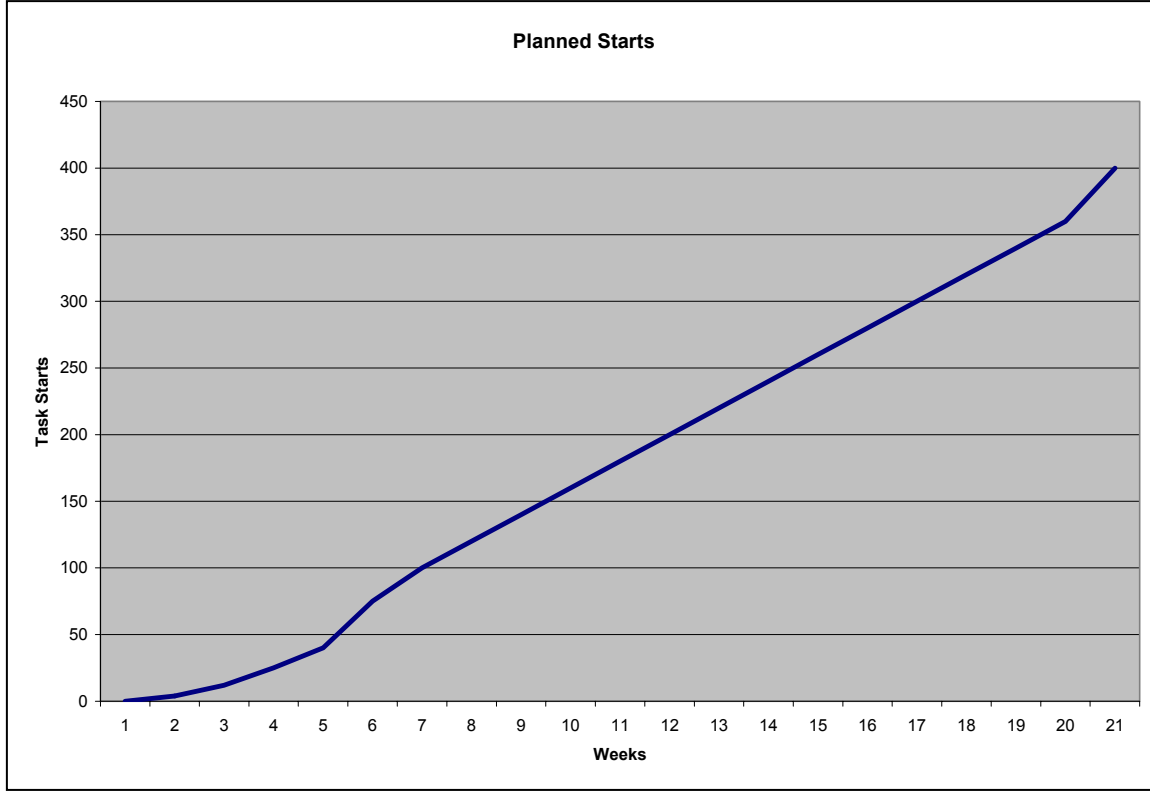


Figure 1

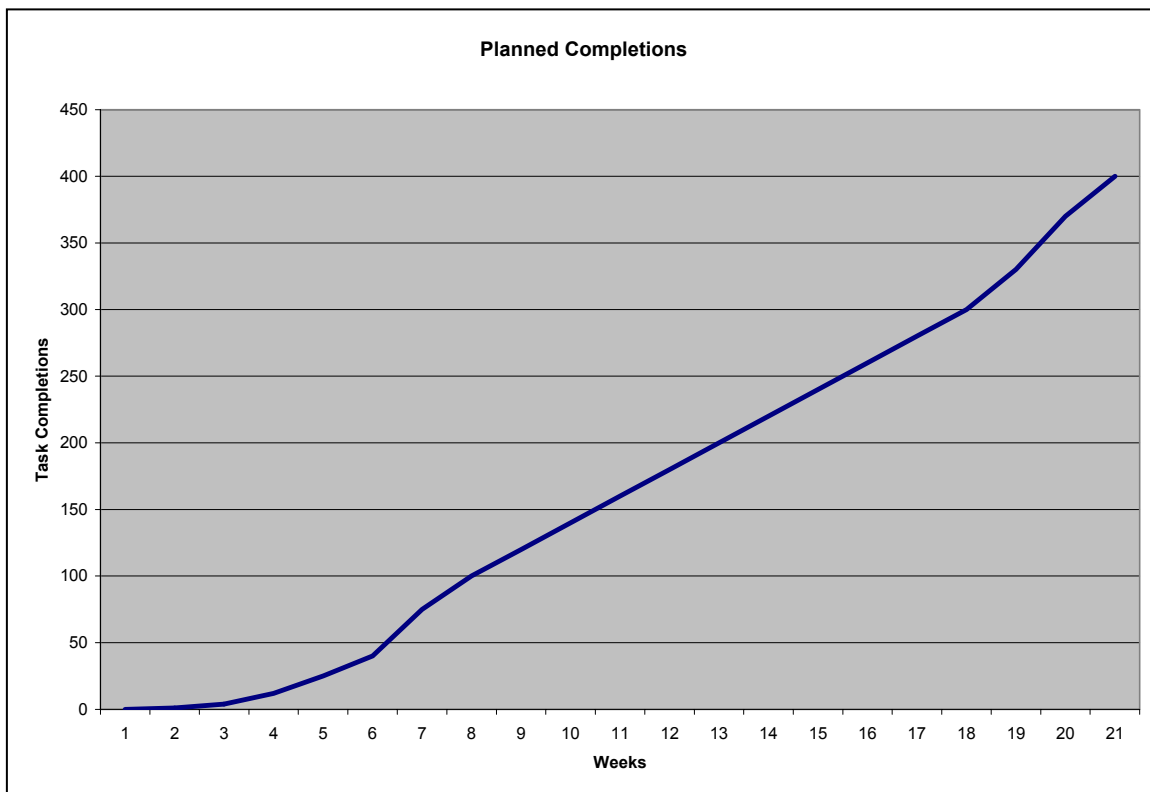


Figure 2

The respective completions should be small variances along the “planned” lines. If actual completions hover around the x-axis and then shoot up (resembling a hockey stick), capital is being tied-up in unfinished tasks (see Figure 3).

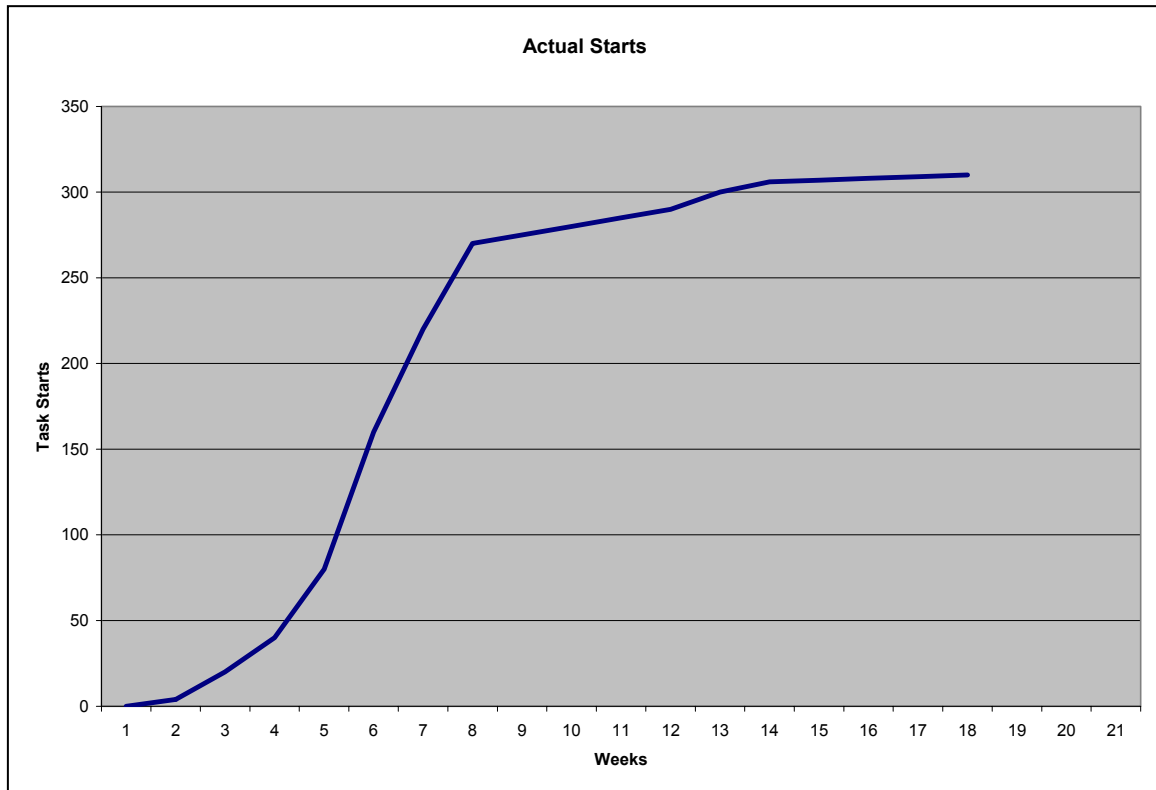


Figure 3

The actual task starts chart will probably shoot up the y-axis and then flatten out (resembling a reverse hockey stick). This indicates that people are opening many new tasks while they are waiting for others tasks to move forward (see Figure 4).

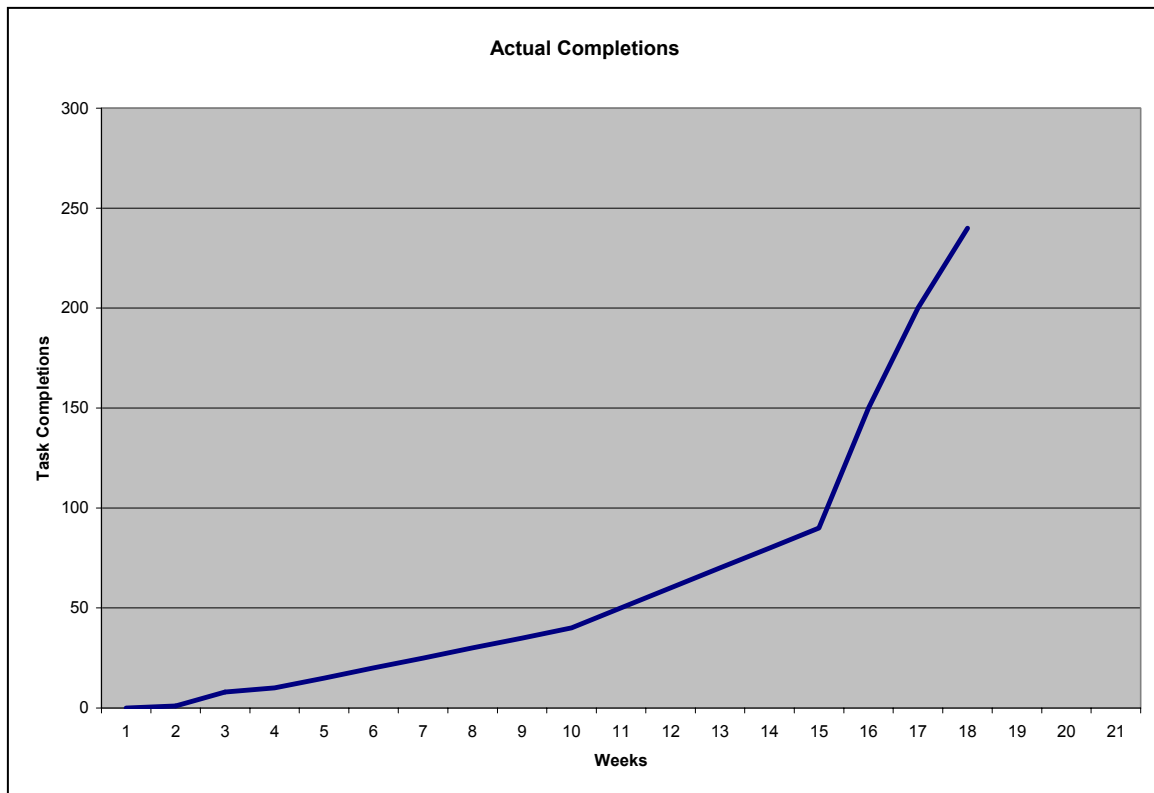


Figure 4

This can create a problem if IT has to rework tasks because some things are wrong. The project manager will then have too many open tasks to manage and no one will know the true status of the project.

III. Rescuing Runaway Projects

As stated previously, excessive cost overruns or failure do not have to be the fate of most runaway IT projects: they can be rescued by containing and controlling them.

There are seven steps to successfully rescuing a runaway project. By following these steps, an organization will be able to get a runaway IT project back on course.

1. Admit a Problem May Exist

Rescuing a runaway project first requires admitting that there is a problem. Someone must say that the project is in jeopardy, especially if the project is mission critical or if

the budget is substantial. The urge to “fix” the problems by spending more money and time must be resisted; an organization cannot spend its way out of a runaway project.

The urge to stay with a runaway project that appears to be near completion must also be resisted because the last month of work never comes. The project will get “last mile syndrome,” which means it takes 95 percent of the project time to finish the last 5 percent.

Admitting there is a problem is a challenge. Some Project Managers and team members do not want to give bad news because they fear repercussions from management. To get people to talk, a penalty-free environment must be created. People must know that the objective is to ascertain the true status of the project, not to punish them. However, people must also know that there will be repercussion if they do not talk during the amnesty period and it is later discovered that they had useful information.

2. Pause the Project

Pausing the project is the most difficult step because some people may feel that the project is on the path to failure and want to disassociate from it. If a vendor is involved with the project, it may want to pull its team out. However, by not pausing the project, more hours and costs will be burned without knowing the project’s status or if it can even be completed. Pausing the project gives the team an opportunity to regroup and create a new plan.

After pausing the project, a business unit-side project recovery team should be appointed. A business unit-side team will stay focused on the investment. If the business unit is no longer championing the project, then continuing the project should be questioned.

3. Conduct a Project Audit

The project audit’s purpose is to find the root cause for the project getting out of control. The primary reason most projects get out of control is that the project manager is relatively inexperienced and the runaway project was beyond the person’s capabilities. In

addition, there may not have been a support system in place to help the project manager overcome this lack of relative experience.

A deficient project charter is another common reason projects get out of control. Some teams do not have a project charter. This contributes to the project getting out of control because without a project charter, the project is not truly defined.

The Project Audit consists of two audits:

- The Process and Procedure Audit consists of a compliance checklist that is a series of questions in addition to items that should be in place in any project, such as a statement of work (project charter) and project plan.
- The Personnel Capability Audit consists of evaluating two factors. First is the interpersonal dynamics of the team members. The objective is to understand how well the team members are suited to each other. An effective team must have temperaments that complement each other. Second, the team members' technical skills must be evaluated. Team members must have the skills necessary to effectively perform their jobs.

In addition to the latter audits, a team interview (which supplements the actual audit) should also be conducted. During the team interview, the auditor gives each member an opportunity to say what is on his mind. Members are interviewed one-on-one and the confidentiality of the interview is maintained. Building trust by maintaining confidentiality is essential to finding the underlying problems with the project.

Team members should be asked three questions: What are we doing well? What are we doing poorly? And, what can we do better? By asking these open-ended questions, you will be able ascertain the state of the project.

After the audits and interviews are conducted, an Audit Report, which is a summation of the findings, should be created. The Audit Report also offers the recommendations of the audit team based upon the team interviews and the compliance checklist.

The Audit Report is given to the project's executive sponsor. The executive sponsor will then accept or reject the findings. In addition, a recommendation will be made to either kill the project or restructure it.

4. Assess the Effort to Complete the Project

Successfully rescuing a runaway project requires having an understanding of what it will realistically take to finish the project, including how much more money will be spent. Gaining this understanding requires estimating based on experience as opposed to intuitive estimating.

To realistically assess the effort to complete the project, review the project and determine how long it actually took to complete tasks. Create realistic estimates by getting input from people who have actually done a particular task.

In addition to creating estimates, develop project alternatives and determine the financial viability of each one. These findings should be presented to the executive sponsor.

5. Validate the ROI (Return on Investment)

Before work began, there must have been justification for implementing the project. Does the justification (the ROI) still make sense? Do the business benefits still make the project worth continuing? It is possible that the project's importance has decreased over

time. Or, external market conditions (such as alternative solutions) may have changed the ROI perception.

To determine the current business value of the project, the stakeholders should be interviewed. Next, an Internal Rate of Return (IRR) and a Discounted Cash Flow (DCF) analyses should be conducted. These two financial analyses give a clear picture of where the project and its benefits lie within the portfolio of alternative projects the company could invest in.

The information accumulated during this step is used to create a Business Case Report, which gives the ROI and states where the project lies within the company's portfolio options.

6. Put the Project Back into the IT Governance Hopper

To determine if it still makes sense to pursue the project and if it is the best use of the company's funds, compare the project's value to other IT alternatives and initiatives. A Relative Ranking Report (a report in which the runaway project is ranked against other projects that are also vying for the company's limited funds) should be prepared. This information should be presented to the governance committee along with a Project Go/No Go report.

7. Restart the project

If it is determined the project should be rescued, it should then be re-launched. If necessary, a new project manager should be appointed and the team should be reassembled. In addition, a new statement of work or project charter should be created.

IV. Conclusion

Failure does not have to be the fate of a runaway project. With early recognition and by following these seven steps, most runaway projects can be contained and controlled before a company experiences more serious financial consequences of an IT project that has gotten out of control.

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