

The monthly magazine for project people

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**Troubled projects cost billions**



**Troubled projects costing billions worldwide**

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 per cent of all projects succeed.
- An average of 15% of all projects fail.

Projects that are considered 'challenged' – usually due to cost or schedule overruns – account for 51% of all projects.

'Tangible results require tangible skills. Effective project management can save organizations millions, if not billions of dollars in lost revenue,' says J. LeRoy Ward, PMP, PgMP, executive vice president at ESI International, a global organization specializing in project and programme management performance improvement.

The study reveals that troubled projects are a worldwide affliction. From the US, 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.

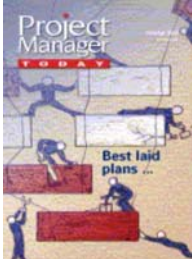
In mid 2007, the Economist Intelligence Unit reported the results of their survey of 145 senior global executives from different industries on their current and planned IT projects.

Twenty per cent 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% 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,' says 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.

**FREE ISSUE**



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Keep your project chaos under control

MAVEN TRAINING

'Best practices have been shown to reduce costs by 10%, reduce execution and implementation time by 8%, and improve performance by 10%. These project improvements can take a 15% rate of return project and turn it into a 24% rate of return project, a 60% improvement.'

'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.'

*Research Methodology*

*The research focused singularly on IT professionals and computer-based projects. The analysis of evaluating project management capabilities involved 2,685 PMAppraise® assessments of IT professionals compiled over a seven year period (1999 – 2005). The PMAppraise® tool includes 120 multiple-choice questions to test proficiency and identify areas for improvement. Analysis of IT projects from the PES® database includes data from 184 projects authorized from 1999 through 2005. The projects range in size from US\$370,000 to US\$10 million. The average size of the projects is US\$1.36 million, and the average project length was 12 months. The projects constitute 25 companies. Seventy-three percent of the projects were executed in North America while the remaining 27 percent were projects located in Latin America, Australia, Asia, Europe and the Middle East.*

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