

## **THE PROJECT HAS GONE TO RATS – HOW DID THAT HAPPEN?**

Why is it that a large number of projects go to rats? The track record is not good, world-wide. The history of cost overruns and excessive time overruns is legend. No area of projects is exempt. Information Technology, Building & Civil Engineering, Design, Manufacture, Shipping, Logistics, New Product Development, etc, etc. The author has researched many project failures and has assisted clients at times of project crisis. Common sense says that lessons should be learned, prior to project commencement. Curiously, the lessons are not learned. Is there a mental backlog? In some cases, yes. In other instances, at the early stage of projects there is supreme optimism. The objective of this article is to highlight some common areas and to challenge Project Managers to take a hard look at their projects.

Do we know what we want? If we don't we are in serious difficulties before we start! In a report by the Auditor General of British Columbia a project increased from \$210 million to \$463 million. The project was for three fast car ferries. Even at the time of seeking approval for the 10 year capital plan there were references to risk, including, "the principal concern is the ability to achieve the projected cost and performance level given the limited experience with such vessels". There is then the chilling comment that "no contract had been signed with the shipyards for the construction of the ships when the work began. Another massive issue is "the vessel is overweight and has a maximum speed below that needed to achieve the original objectives set for the project".

Do we have a credible acquisition process? It is an unfortunate fact that project acquisition processes are inadequate. Many are dominated by technical staff who pay lip services to high class procurement involvement. To obtain evidence of this type of issue we have referenced a report issued by the United States General Accounting office. It relates to the procurement of modernisation of the air traffic control systems. The report included comment that many software acquisition process improvement activities were undertaken without assessing current software acquisition strengths and weaknesses, and were not part of a comprehensive plan for process improvement. The report continues by saying that over the past 15 years, FAA's modernisation projects have experienced substantial cost overruns, lengthy schedule delays and significant performance shortfalls. In one instance the estimated costs tripled from \$2.5 billion to \$7.6 billion and delays in putting significantly less-than-promised systems capabilities into operation were expected to run 8 years or more over original estimates!!!

Will the supplier perform? Well, they always say that they will at the tender stage. So, what happens in practice? To illustrate this we are drawing on a recent case in the United Kingdom High Court of Justice. It concerns a claim for £8 million + and interest for damages arising out of alleged breaches of duty. It was alleged that a contractor's workforce was previously responsible for all the damage because of unsuitable materials, bad workmanship, insufficient workforce supervision and other failures, and that here were failures in co-ordination, supervision and inspection of the works. Some extracts from the case will ring alarm bells for project managers:

"The uncertainty of direction by the Project Team is having a major demoralising effect on the project".

“A Chartered Engineer who analysed a tender reported that he feared that the tenderer was seeking to obtain the work by putting in a low price without any profit and that they would later seek to make their profit by claiming for delay and disruption at later stages in lengthy programme”

“The Contractor did not employ only directly employed labour; a substantial amount of contract labour was employed. Not enough supervisors were employed. At time labour was deliberately withdrawn from the site by the Contractor as a negotiation ploy when disputes arose”.

Can we manage the Project? Project Management is not a task for the gifted amateur. It is a highly skilled task requiring, in the author’s view, years of experience and very high skill levels. Immaculate processes must be put in place and rigorous contract review procedures adopted. The Project Manager must know the contract, inside out. The risk register (always assuming one was created) must be constantly reviewed and updated. There has to be credible, risk mitigation strategies to cover the identified risks. When the contractor fails to meet a contractual milestone he must be held accountable, providing it is not the buyer’s cause. Decisive action should be taken. If not, it is certain that things will get a lot worse before they get better. If indeed, they ever get better!

Is our Project at risk? Quite frankly, the Board of Directors have to get involved and ensure that the process for capital approval is excellent. ‘Red Team’ reviews should be adopted where a rigorous challenge is made to the major project assumptions. The Project Manager should be involved, together with the key advisers and in-house personnel. It is better to have the pain early on, before a commitment is made, than when the project is almost irreversible. We leave you with the thought. Is your project in good health?