

The business challenge ...

Today, service organizations are under constant pressure to perform “better.” During every business cycle they set many new objectives, investing resources in projects to improve products, processes, and services.

In any one organization, hundreds (or thousands) of projects are occurring simultaneously. Whether they are highly visible or buried in the fabric of everyday work, they represent a substantial investment by the organization. Most organizations do not fully understand how much monetary investment is committed.

Projects can realize opportunities, delighting their customers and other stakeholders with the value promised. Or, they can fail to reach their objectives, leading the key parties to difficult accountability discussions and lost credibility with customers (and with their own management).

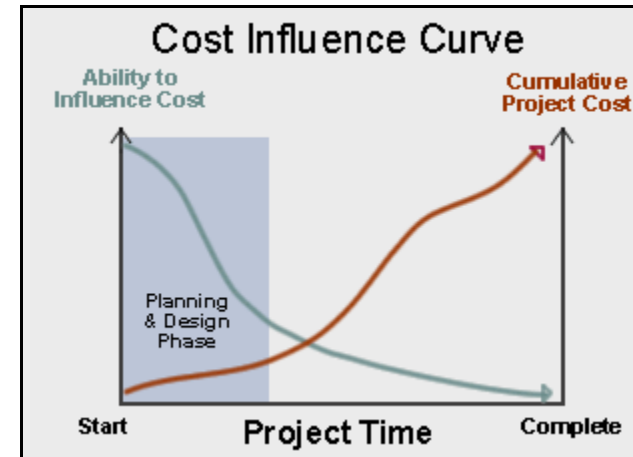
Here are some sobering statistics:

- Only 28% of software projects are fully successful in terms of time, budget, and with the promised features/functionalities. (Standish Group, 2000. Sample size of 7500 projects.)
- Only 20-45% of organizational change projects are successful. (Smith, 2002, reviewed 49 studies about the success/failure of business change efforts such as restructuring, TQM, mergers/acquisitions, re-engineering, etc.)
- Only 33% (of 200+ companies studied) aligned strategy, structure, culture, AND business systems during a change. The latter group had a 77% higher rate of goal achievement. (Amherst Consulting Group, 1994.)

© 2003 THREE HOUSES CONSULTING LLC. All rights reserved.
For further information: 3houses.com or 203-381-1565.

What makes the difference in outcomes?

About 30 years ago, the Cost Influence Curve (shown below) first appeared. Graphically, it captured the wisdom of early construction project analyses that have since been validated by many parties. The curve depicted that the ability to influence project cost was greatest early in the project.



Today, we know that early definition of key project elements (also referred to as “front-end loading”) can influence product usability, customer acceptance and satisfaction, and schedule, in addition to cost. Ultimately, these outcomes determine the project’s return on investment (ROI).

In the last decade, failure studies in the information technology (IT) industry have found that contributing factors have many similarities to the construction industry’s studies.

These results have implications beyond the borders of IT. Today, it is a rare service project that does not have a technology component. In addition, skilled practitioners know that even small to medium sized service projects without technology components can benefit from the history of lessons learned. When managers of service projects employ “front-end loading” practices (i.e., in the early part of the project’s life-cycle), they increase the likelihood of achieving the project’s objectives.

Project Success and Failure – A Selected Bibliography

Amherst Consulting Group. Best Practices for Managing Change: Amherst Consulting Group's 1994 Survey of Business Initiatives, 1994. Note: Amherst Consulting Group was acquired in 1999 by Keane, Inc.

Baker, Bruce N.; Murphy, David C.; Fisher, Dalmar. *Factors Affecting Project Success.* Project Management Handbook, edited by David Cleland and William King. Van Nostrand Reinhold, 1988.

This book chapter reports the findings of a 1974 NASA study of over 650 projects called, *Determinants of Project Success*, NGR 22-03-028, NTIS Accession Number N-74-30392, September 15, 1974.

Connell, Jim et al. *Troubling Successes and Good Failures: Successful New Product Development Requires Five Critical Factors.* Engineering Management Journal, December 2001, pp. 35-39.

Johnson, Jim et al. *Collaborating on Project Success.* Software Magazine, Feb/Mar 2001.

This article summarizes the results from the series of CHAOS studies about software projects conducted since 1994 annually by the Standish Group. Available online at: www.softwaremag.com/archive/2001feb/CollaborativeMgt.html

Oz, Effy; and Sosik, John J. *Why Information Systems Projects are Abandoned: A Leadership and Communication Theory and Exploration Study.* Journal of Computer Information Systems, Fall 2000, pp. 66-78.

Paulson, Boyd. *Designing to Reduce Construction Costs.* ASCE Journal of the Construction Division, now called, Journal of Construction Engineering and Management, from a paper presented at an ASCE San Diego conference, April 1976, pp. 587-592.

Note: the Cost Influence Curve is discussed in all editions of his book with Donald Barrie, Professional Construction Management, first published in 1978.

Piper, Raymond G. *The Triad and the Evolution of Project Management.* PMI Proceedings, 1996.

Union Carbide [and Bechtel] reported that better performance occurred in capital projects in which a facilitator joined the project manager and lead business partner in managing the project.

Smith, Martin E. *Success Rates for Different Types of Organizational Change.* Performance Improvement, International Society for Performance Improvement, January 2002, pp. 26-33.

This article summarizes the research of 49 studies, with total sample size of over 43,000. Categories of change (#studies) reviewed were: strategy deployment(3), restructuring and downsizing(9), technology change(5), mixed change efforts(1), TQM-driven change(5), mergers and acquisitions(9), re-engineering and process design(7), software development and installation(6), business expansion(1), and cultural change(3).