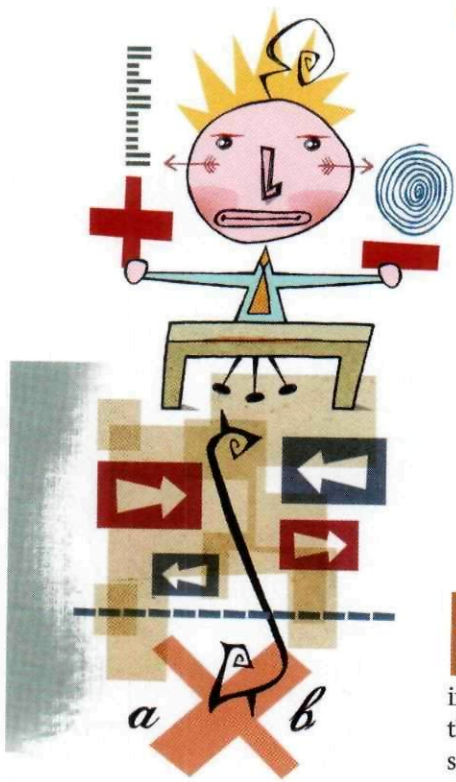
Why Good Projects Fail Anyway



by Nadim F. Matta and Ronald N. Ashkenas

When a promising project doesn't deliver, chances are the problem wasn't the idea but how it was carried out. Here's a way to design projects that guards against unnecessary failure.

BIG PROJECTS FAIL at an astonishing rate. Whether major technology installations, postmerger integrations, or new growth strategies, these efforts consume tremendous resources over months or even years. Yet as study after study has shown, they frequently deliver disappointing returns – by some estimates, in fact, well over half the time. And the toll they take is not just financial. These failures demoralize employees who have labored diligently to complete their share of the work. One middle manager at a top pharmaceutical company told us, "I've been on dozens of task teams in my career, and I've never actually seen one that produced a result."

The problem is, the traditional approach to project management shifts the project teams' focus away from the end result toward developing recommendations, new technologies, and partial solutions. The intent, of course, is to piece these together into a blueprint that will achieve the ultimate goal, but when a project involves many people working over an extended period of time, it's very hard for managers planning it to predict all the activities and work streams that will be needed. Unless the end product is very well understood, as it is in highly technical engineering projects such as building an airplane, it's almost inevitable that some things will be left off the plan. And even if all the right activities have been anticipated, they may turn out to be difficult, or even impossible, to knit together once they're completed.

Managers use project plans, timelines, and budgets to reduce what we call "execution risk" – the risk that designated activities won't be carried out properly – but they inevitably neglect these two other critical risks – the "white space risk" that some required activities won't be identified in advance, leaving gaps in the project plan, and the "integration risk" that the disparate activities won't come together at the end. So project teams can execute their tasks

flawlessly, on time and under budget, and yet the overall project may still fail to deliver the intended results.

We've worked with hundreds of teams over the past 20 years, and we've found that by designing complex projects differently, managers can reduce the likelihood that critical activities will be left off the plan and increase the odds that all the pieces can be properly integrated at the end. The key is to inject into the overall plan a series of mini-projects – what we call *rapid-results initiatives* – each staffed with a team responsible for a version of the hoped-for overall result in miniature and each designed to deliver its result quickly.

Let's see what difference that would make. Say, for example, your goal is to double sales revenue over two years by implementing a customer relationship management (CRM) system for your sales force. Using a traditional project management approach, you might have one team research and install software packages, another analyze the different ways that the company interacts with customers (e-mail, telephone, and in person, for example), another develop training programs, and so forth. Many months later, however, when you start to roll out the program, you might discover that the salespeople aren't sold on the benefits. So even though they may know how to enter the requisite data into the system, they refuse. This very problem has, in fact, derailed many CRM programs at major organizations.

But consider the way the process might unfold if the project included some rapid-results initiatives. A single team might take responsibility for helping a small number of users – say, one sales group in one region – increase their revenues by 25% within four months. Team members would probably draw on all the activities described above, but to succeed at their goal, the microcosm of the overall goal, they would be forced to find out what, if anything, is missing from their plans as they go forward. Along the way, they would, for example, discover the salespeople's resistance, and they would be compelled to educate the sales staff about the system's benefits. The team may also discover that it needs to tackle other issues, such as how to divvy up commissions on sales resulting from cross-selling or joint-selling efforts.

When they've ironed out all the kinks on a small scale, their work would then become a model for the next teams, which would either engage in further rapid-results initiatives or roll the system out to the whole organization – but now with a higher level of confidence that the project will have the intended impact on sales revenue. The company would see an early payback on its investment and gain new insights from the team's work, and the team would have the satisfaction of delivering real value.

In the pages that follow, we'll take a close look at rapid-results initiatives, using case studies to show how these projects are selected and designed and how they are managed in conjunction with more traditional project activities.

How Rapid-Results Teams Work

Let's look at an extremely complex project, a World Bank initiative begun in June 2000 that aims to improve the productivity of 120,000 small-scale farmers in Nicaragua by 30% in 16 years. A project of this magnitude entails many teams working over a long period of time, and it crosses functional and organizational boundaries.

They started as they had always done: A team of World Bank experts and their clients in the country (in this case, Ministry of Agriculture officials) spent many months in preparation – conducting surveys, analyzing data, talking to people with comparable experiences in other countries, and so on. Based on their findings, these project strategists, designers, and planners made an educated guess about the major streams of work that would be required to reach the goal. These work streams included reorganizing government institutions that give technical advice to farmers, encouraging the creation of a private-sector market in agricultural support services (such as helping farmers adopt new farming technologies and use improved seeds), strengthening the National Institute for Agricultural Technology (INTA), and establishing an information management system that would help agricultural R&D institutions direct their efforts to the most productive areas of research. The result of all this preparation was a multiyear project plan, a document laying out the work streams in detail.

Managers expect they can plan for all the variables in a complex project in advance, but they can't. Nobody is that smart or has that clear a crystal ball.

But if the World Bank had kept proceeding in the traditional way on a project of this magnitude, it would have been years before managers found out if something had been left off the plan or if the various work streams could be integrated – and thus if the project would ultimately achieve its goals. By that time, millions of dollars would have been invested and much time potentially wasted. What's more, even if everything worked according to plan, the project's beneficiaries would have been waiting for years before seeing any payoff from the effort. As it happened, the

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project activities proceeded on schedule, but a new minister of agriculture came on board two years in and argued that he needed to see results sooner than the plan allowed. His complaint resonated with Norman Piccioni, the World Bank team leader, who was also getting impatient with the project's pace. As he said at the time, "Apart from the minister, the farmers, and me, I'm not sure anyone working on this project is losing sleep over whether farmer productivity will be improved or not."

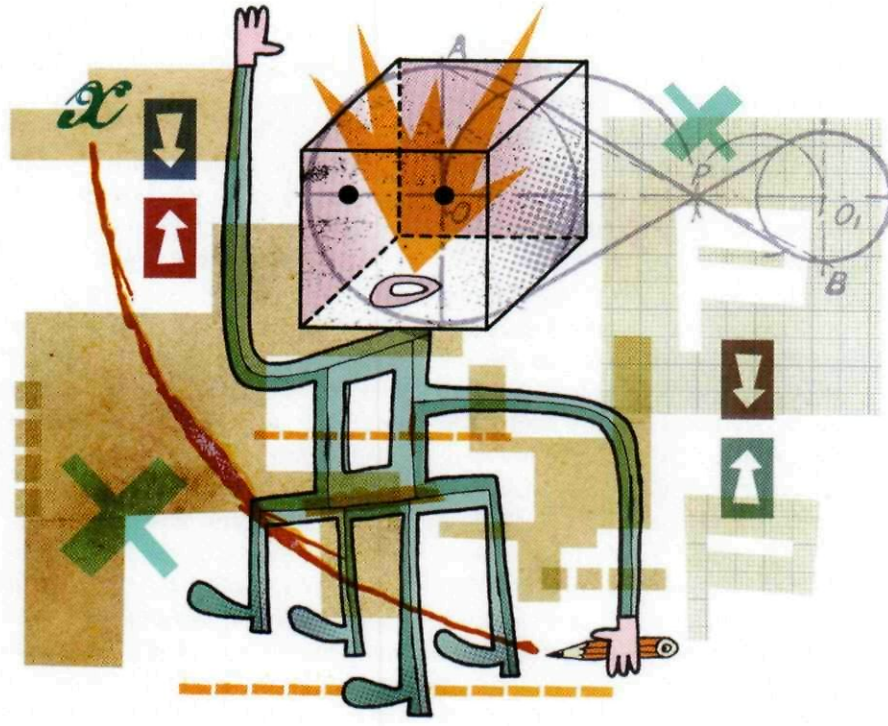
Over the next few months, we worked with Piccioni to help him and his clients add rapid-results initiatives to the implementation process. They launched five teams, which included not only representatives from the existing work streams but also the beneficiaries of the project, the farmers themselves. The teams differed from traditional implementation teams in three fundamental ways. Rather than being partial, horizontal, and long term, they were results oriented, vertical, and fast. A look at each attribute in turn shows why they were more effective.

Results Oriented. As the name suggests, a rapid-results initiative is intentionally commissioned to produce a measurable result, rather than recommendations, analyses, or partial solutions. And even though the goal is on a smaller scale than the overall objective, it is nonetheless challenging. In Nicaragua, one team's goal was to increase Grade A milk production in the Leon municipality from 600 to 1,600 gallons per day in 120 days in 60 small and medium-size producers. Another was to increase pig weight on 30 farms by 30% in 100 days using enhanced corn seed. A third was to secure commitments from private-sector experts to provide technical advice and agricultural support to 150 small-scale farmers in the El Sauce (the dry farming region) within 100 days.

This results orientation is important for three reasons. First, it allows project planners to test whether the activities in the overall plan will add up to the intended result and to alter the plans if need be. Second, it produces real benefits in the short term. Increasing pig weight in 30 farms by 30% in just over three months is useful to those 30 farmers no matter what else happens in the project. And finally, being able to deliver results is more rewarding and energizing for teams than plodding along through partial solutions.

The focus on results also distinguishes rapid-results initiatives from pilot projects, which are used in traditionally managed initiatives only to reduce execution risk. Pilots typically are designed to test a preconceived solution, or means, such as a CRM system, and to work out implementation details before rollout. Rapid-results initiatives, by contrast, are aimed squarely at reducing white space and integration risk.

Vertical. Project plans typically unfold as a series of activities represented on a timeline by horizontal bars. In this context, rapid-results initiatives are vertical. They encompass a slice of several horizontal activities, implemented in tandem in a very short time frame. By using the term "vertical," we also suggest a cross-functional effort, since different horizontal work streams usually include people from different parts of an organization (or even, as in Nicaragua, different organizations), and the vertical slice brings these people together. This vertical orientation is key to reducing white space and integration risks in the overall effort: Only by uncovering and properly integrating any activities falling in the white space between the horizontal project streams will the team be able to deliver its mini-result. (For a look at the horizontal and vertical work streams in the Nicaragua project, see the exhibit "The World Bank's Project Plan.")



The team working on securing commitments between farmers and technical experts in the dry farming region, for example, had to knit together a broad set of activities. The experts needed to be trained to deliver particular services that the farmers were demanding because they had heard about new ways to increase their productivity through the information management system. That, in turn, was being fed information coming out of INTA's R&D efforts, which were directed toward addressing specific problems the farmers had articulated. So team members had to draw on a number of the

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broad horizontal activities laid out in the overall project plan and integrate them into their vertical effort. As they did so, they discovered that they had to add activities missing from the original horizontal work streams. Despite the team members' heroic efforts to integrate the ongoing activities, for instance, 80 days into their 100-day initiative, they had secured only half the commitments they were aiming for. Undeterred and spurred on by the desire to accomplish their goal, team members drove through the towns of the region announcing with loudspeakers the availability and benefits of the technical services. Over the following 20 days, the gap to the goal was closed. To close the white space in the project plan, "marketing of technical services" was added as another horizontal stream.

Fast. How fast is fast? Rapid-results projects generally last no longer than 100 days. But they are by no means quick fixes, which imply shoddy or short-term solutions. And while they deliver quick wins, the more important value of these initiatives is that they change the way teams approach their work. The short time frame fosters a sense of personal challenge, ensuring that team members feel a sense of urgency right from the start that leaves no time to squander on big studies or interorganizational bickering. In traditional horizontal work streams, the gap between current status and the goal starts out far wider, and a feeling of urgency does not build up until a short time before the day of reckoning. Yet it is precisely at that point that committed teams kick into a high-creativity mode and begin to experiment with new ideas to get results. That kick comes right away in rapid-results initiatives.

A Shift in Accountability

In most complex projects, the executives shaping and assigning major work streams assume the vast majority of the responsibility for the project's success. They delegate execution risk to project teams, which are responsible for staying on time and on budget, but they inadvertently leave themselves carrying the full burden of white space and integration risk. In World Bank projects, as in most complex and strategically critical efforts, these risks can be huge.

When executives assign a team responsibility for a result, however, the team is free – indeed, compelled – to find out what activities will be needed to produce the result and how those activities will fit together. This approach puts white space and integration risk onto the shoulders of the people doing the work. That's appropriate because, as they work, they can discover on the spot what's working and what's not. And in the end, they are rewarded not for performing a series of tasks but for delivering real value. Their success is correlated with benefits to the organization, which will come not only from implementing known activities but also from identifying and integrating new activities.

The milk productivity team in Nicaragua, for example, found out early on that the quantity of milk production was not the issue. The real problem was quality: Distributors were being forced to dump almost half the milk they had bought due to contamination, spoilage, and other problems. So the challenge was to produce milk acceptable to large distributors and manufacturers that complied with international quality standards. Based on this understanding, the team leader invited a representative of Parmalat, the biggest private company in Nicaragua's dairy sector, to join the team. Collaborating with this customer allowed the team to understand Parmalat's quality standards and thus introduce proper hygiene practices to the milk producers in Leon. The collaboration also identified the need for simple equipment such as a centrifuge that could test the quality of batches quickly.

The quality of milk improved steadily in the initial stage of the effort. But then the team discovered that its goal of tripling sales was in danger due to a logistics problem: There wasn't adequate storage available for the additional Grade A milk now being produced. Rather than invest in refrigeration facilities, the Parmalat team member (now assured of the quality of the milk) suggested that the company conduct collection runs in the area daily rather than twice weekly.

At the end of 120 days, the milk productivity team (renamed the "clean-milking" team) and the other four teams not only achieved their goals but also generated a new appreciation for the discovery process. As team leader Piccioni observed at a follow-up workshop: "I now realize how much of the overall success of the effort depends on people discovering for themselves what goals to set and what to do to achieve them."

What's more, the work is more rewarding for the people involved. It may seem paradoxical, but virtually all the teams we've encountered prefer to work on projects that have results-oriented goals, even though they involve some risk and require some discovery, rather than implement clearly predefined tasks.

The Leadership Balancing Act

Despite the obvious benefits of rapid-results initiatives, few companies should use them to replace the horizontal activities altogether. Because of their economies of scale, horizontal activities are a cost-efficient way to work. And so it is the job of the leadership team to balance rapid-results initiatives with longer-term horizontal activities, help spread insights from team to team, and blend everything into an overall implementation strategy.

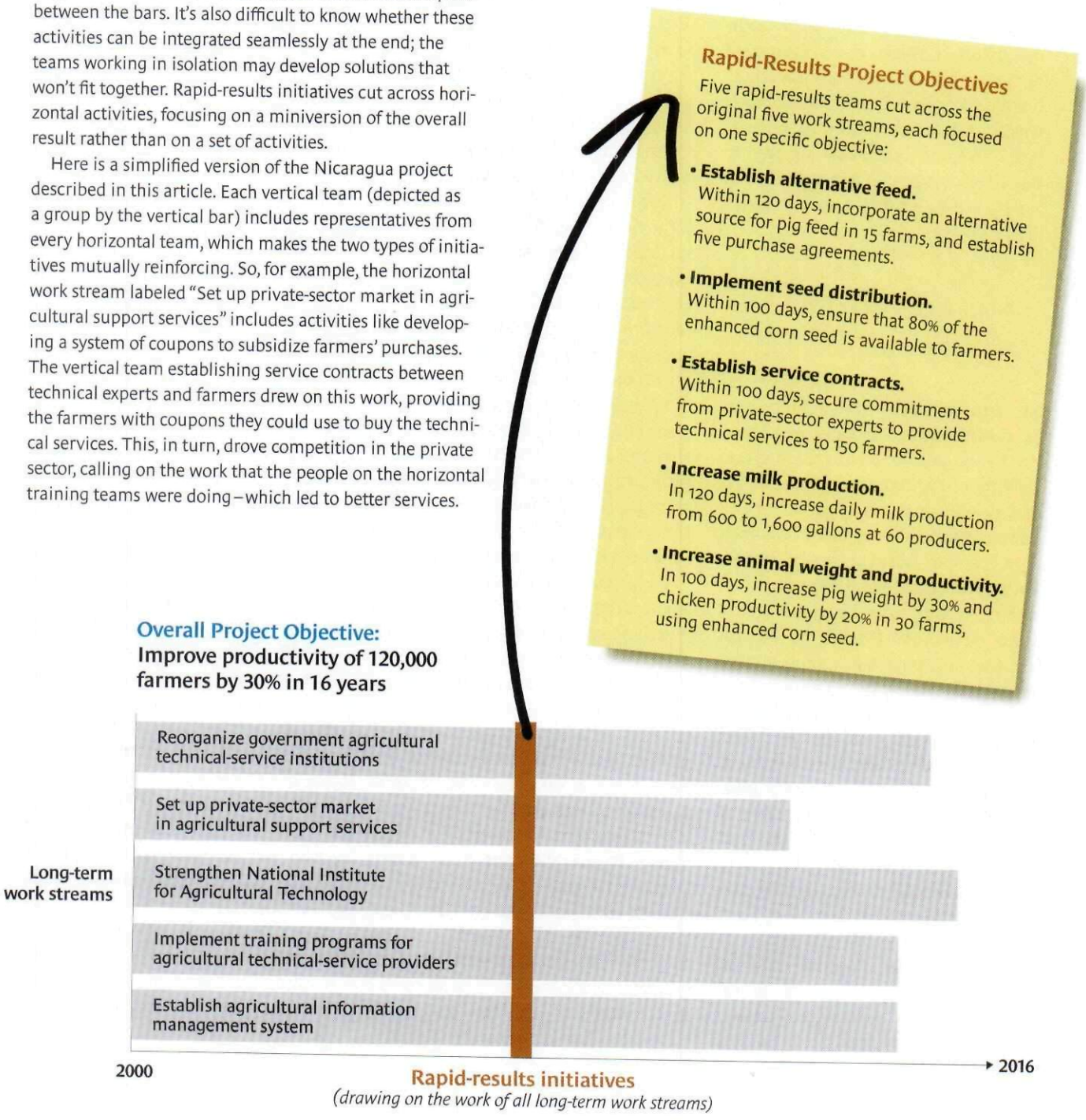
In Nicaragua, the vertical teams drew members from the horizontal teams, but these people continued to work on the horizontal streams as well, and each team benefited from the work of the others. So, for example, when the milk productivity team discovered the need to educate farmers in clean-milking practices, the horizontal training team knew to adjust the design of its overall training programs accordingly.

The adhesive-material and office-product company Avery Dennison took a similar approach, creating a portfolio of rapid-results initiatives and horizontal work streams as the basis for its overall growth acceleration strategy. Just over a year ago, the company was engaged in

The World Bank's Project Plan

A project plan typically represents the planned activities as horizontal bars plotted over time. But in most cases, it's very difficult to accurately assess all the activities that will be required to complete a complicated long-term project. We don't know what will fall into the white space between the bars. It's also difficult to know whether these activities can be integrated seamlessly at the end; the teams working in isolation may develop solutions that won't fit together. Rapid-results initiatives cut across horizontal activities, focusing on a miniversion of the overall result rather than on a set of activities.

Here is a simplified version of the Nicaragua project described in this article. Each vertical team (depicted as a group by the vertical bar) includes representatives from every horizontal team, which makes the two types of initiatives mutually reinforcing. So, for example, the horizontal work stream labeled "Set up private-sector market in agricultural support services" includes activities like developing a system of coupons to subsidize farmers' purchases. The vertical team establishing service contracts between technical experts and farmers drew on this work, providing the farmers with coupons they could use to buy the technical services. This, in turn, drove competition in the private sector, calling on the work that the people on the horizontal training teams were doing–which led to better services.



various horizontal activities like new technology investments and market studies. The company was growing, but CEO Phil Neal and his leadership team were not satisfied with the pace. Although growth was a major corporate goal, the company had increased its revenues by only 8% in two years.

In August 2002, Neal and president Dean Scarborough tested the vertical approach in three North American divisions, launching 15 rapid-results teams in a matter of weeks. One was charged with securing one new order for an enhanced product, refined in collaboration with one large customer, within 100 days. Another focused on signing up three retail chains so it could use that experience to develop a methodology for moving into new distribution channels. A third aimed to book several hundred thousand dollars in sales in 100 days by providing – through a collaboration with three other suppliers – all the parts needed by a major customer. By December, it had become clear that the vertical growth initiatives were producing results, and the management team decided to extend the process throughout the company, supported by an extensive employee communication campaign. The horizontal activities continued, but at the same time dozens of teams, involving hundreds of people, started working on rapid-results initiatives. By the end of the first quarter of 2003, these teams yielded more than $8 million in new sales, and the company was forecasting that the initiatives would realize approximately $50 million in sales by the end of the year.

Rapid-results initiatives challenge senior leaders to cede control.

The Diversified Products business of Zurich North America, a division of Zurich Financial Services, has taken a similarly strategic approach. CEO Rob Fishman and chief underwriting officer Gary Kaplan commissioned and launched dozens of rapid-results initiatives between April 1999 and December 2002. Their overall long-term objectives were to improve their financial performance and strengthen relationships with core clients. And so they combined vertical teams focused on such goals as increasing payments from a small number of clients for value-added services with horizontal activities targeting staff training, internal processes, and the technology infrastructure. The results were dramatic: In less than four years, loss ratios in the property side of the business dropped by 90%, the expense ratio was cut in half, and fees for value-added services increased tenfold.

Now, when you're managing a portfolio of vertical initiatives and horizontal activities, one of the challenges becomes choosing where to focus the verticals. We generally advise company executives to identify aspects of the effort that they're fairly sure will fail if they are not closely coordinated with one another. We also engage the leadership team in a discussion aimed at identifying other areas of potential uncertainty or risk. Based on those discussions, we ask executives to think of projects that could replicate their longer-term goals on a small scale in a short time and provide the maximum opportunity for learning and discovery.

For instance, at Johnson & Johnson's pharmaceutical R&D group, Thomas Kirsch, the head of global quality assurance, needed to integrate the QA functions for two traditionally autonomous clinical R&D units whose people were located around the world. Full integration was a major undertaking that would unfold over many years, so in addition to launching an extensive series of horizontal activities like developing training standards and devising a system for standardizing currently disparate automated reports, Kirsch also assigned rapid-results teams to quickly put in place several standard operating procedures (SOPs) that cut across the horizontal work streams. The rapid-results teams were focused on the areas he perceived would put the company in the greatest danger of failing to comply with U.S. and European regulations and also on areas where he saw opportunities to generate knowledge that could be applied companywide. There's no science to this approach; it's an iterative process of successive approximation, not a cut-and-dried analytical exercise.

In fact, there are really no "wrong" choices when it comes to deciding which rapid-results initiatives to add to the portfolio. In the context of a large-scale, multiyear, high-stakes effort, each 100-day initiative focused on a targeted result is a relatively low-risk investment. Even if it does not fully realize its goal, the rapid-results initiative will produce valuable lessons and help further illuminate the path to the larger objective. And it will suggest other, and perhaps better-focused, targets for rapid results.

A Call for Humility

Rapid-results initiatives give some new responsibilities to frontline team members while challenging senior leaders to cede control and rethink the way they see themselves. Zurich North America's Gary Kaplan found that the process led him to reflect on his role. "I had to learn to let go: Establishing challenging goals and giving others the space to figure out what it takes to achieve these...did not come naturally to me."

Attempting to achieve complex goals in fast-moving and unpredictable environments is humbling. Few leaders and few organizations have figured out how to do it consistently. We believe that a starting point for greater success is shedding the blueprint model that has implicitly driven executive behavior in the management of major efforts. Managers expect they will be able to identify, plan for, and influence all the variables and players in advance, but they can't. Nobody is that smart or has that clear a crystal ball. They can, however, create an ongoing process of learning and discovery, challenging the people close to the action to produce results – and unleashing the organization's collective knowledge and creativity in pursuit of discovery and achievement.

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