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The Cost of Bad Project Management

by Benoit Hardy-Vallee

Projects often fail because organizations put more emphasis on rational factors than on employees' psychological engagement -- and the cost to organizations is enormous

When it comes to project management, most organizations put their practices before their people. They place more emphasis on rational factors -- the process itself -- and less on emotional drivers that could lead to project excellence -- like their employees' engagement with the project and company.

■ Large projects, especially those in the IT sectors, have a poor record.

But forcing team members to adapt to project management processes and procedures makes it more likely that the project will fail. The resulting cost from bad project management is reaching astronomical levels. It represents a significant waste of money, and it poses a threat to organizations that rely on the success of large-scale projects.

Gallup's behavioral economics research suggests a different, more powerful approach: behavior-based project management. This approach enables project groups to gain higher levels of emotional commitment and performance from their team members -- and increased levels of emotional involvement from stakeholders -- in a way that improves both engagement and performance.

Behavior-based project management applies the principles of behavioral economics to manage an organization's emotional economy. More importantly, it uses scientific research on human nature and the workplace to develop more effective project teams and to enable better project delivery.

The high cost of failure

Project management is integral to the business world. Milestones, kickoff meetings, deliverables, stakeholders, Gantt charts, and work plans constitute the everyday world of most managers, whether they are called "project managers" or not. Given the vast experience organizations have with project management, it's reasonable to wonder why all projects aren't completed on time, on scope, and under budget.

Yet large projects, especially those in the information technology sectors, have a poor record. Multiple studies show that a significant share of projects overrun their original timelines or are never completed. A study by PricewaterhouseCoopers, which reviewed 10,640 projects from 200 companies in 30 countries and across various industries, found that only 2.5% of the companies successfully completed 100% of their projects. A study published in the *Harvard Business Review*, which analyzed 1,471 IT projects, found that

Open *A Guide to the Project Management Body of Knowledge*, and you will see an array of techniques for controlling quality, risk, budget, schedule, and scope. There is a chapter on project human resources management with some keys to select, develop, and manage a team. It shows how to develop a responsibility assignment matrix to define team members' roles and a resource histogram to manage available hours. It indicates the importance of recognition and performance evaluations and suggests how to use interpersonal skills to resolve conflicts. It's all spelled out in black and white, often with charts.

None of this is wrong. But again, these techniques mainly address rational factors such as planning and controlling. They only provide more methodologies and processes and more charts and graphs, which is hardly emotionally engaging for project team members -- or project managers, for that matter.

The problem with a single-minded focus on processes and methodologies is that once people are given procedures to follow, compliance replaces results. Everybody is concerned about *how* to do the job, not about the *outcome* if the job is done well.

Companies that take this approach do so for valid reasons: They can't manage what they don't measure. More importantly, they can't let projects run without any direction, hoping for the best. However, by relying on managing only these rational factors, organizations fail to harness the power of human nature by engaging employees' emotions.

To summarize, the rate of failure for projects has not really decreased -- and there's a reason for that. It's time to update project management not with more methodologies, but with more emotional content. Employees' and stakeholders' disengagement can make a project fail, but behavior-based management can make projects succeed.

The second article of this two-part series presents a productive alternative to traditional project management: behavior-based project management. Project managers should consider the emotional needs of team members and stakeholders rather than relying on rational processes alone.

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