IDENTIFYING AND RECOVERING TROUBLED PROJECTS: HOW TO RESCUE YOUR PROJECT FROM ITS FAILURE

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Ricardo Viana Vargas is a project, portfolio and risk management specialist. During the past 15 years, he has been responsible for over 80 major projects in various countries in the areas of petroleum, energy, infrastructure, telecommunications, information technology and finances, comprising an investment portfolio of over 18 billion dollars.

He was the first Latin American volunteer to be elected Chairman of the Board for the Project Management Institute (PMI), the largest project management organization in the world with close to 500,000 members and certified professionals in 175 countries.

Ricardo Vargas has written ten books on project management, published in Portuguese and English, which have sold over 200,000 copies throughout the world. In 2005 he received the PMI Distinguished Award for his contribution to the development of project management and the PMI Professional Development Product of the Year award for the PMDome® workshop, considered the best project management training solution in the world.

He is a project management professor for various MBA courses, and actively participates on editorial boards for specialized journals in Brazil and the United States. Vargas is a recognized reviewer of the PMBOK Guide, the most important reference in the world for project management, and also chaired the official translation of PMBOK into Portuguese.

He is a chemical engineer and holds a master’s degree in Industrial Engineering from UFMG (Federal University of Minas Gerais). Ricardo Vargas also holds a Master Certificate in Project Management from George Washington University and is certified both as a Project Management Professional (PMP) by PMI and as IPMA-B by the International Project Management Association. He attended the Program on Negotiation for Executives at Harvard Law School.

Over an eleven year timeframe, which began in 1995, Ricardo, in conjunction with two partners, established one of the most solid Brazilian businesses in the area of technology, project management and outsourcing, which had a staff of 4,000 collaborators and an annual income of 50 million dollars in 2006, when Ricardo Vargas sold his share of the company to dedicate himself on a fulltime basis to the internationalization of his project management activities.

He is a member of the Association for Advancement of Cost Engineering (AACE), the American Management Association (AMA), the International Project Management Association (IPMA), the Institute for Global Ethics and the Professional Risk Management International Association (PRMIA).
A troubled project can be defined as a project where the difference between what is expected and what has been accomplished exceeds the acceptable tolerance limits, pushing into a course that will inevitably lead to failure.
Continuous sequence of troubled projects (ESI, 2005).
Erroneous perceptions on troubled projects

Troubled Project

It’s NOT

Generator of respect for the stakeholders
Short-term benefits seeker
Fun
Easily controllable
Simple
Moral stimulator for the team and project manager

It IS...

Potential creator of negative conflicts
Hard
Challenging
Strong perception of out of control
Heavy energy consumer (people)
Moral reductor for the team and project manager
Identifying and Assessing a Troubled Project

Based on SAROKIN (2005), WU (2000), and WARD (2003).
Example of vital signs models

<table>
<thead>
<tr>
<th>Vital Sign</th>
<th>Variance</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent variance between actual and planned schedule</td>
<td>&lt; 10%</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>10-20%</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>&gt; 20%</td>
<td>2</td>
</tr>
<tr>
<td>Percent variance between actual and budgeted cost</td>
<td>&lt; 10%</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>10-20%</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>&gt; 20%</td>
<td>2</td>
</tr>
<tr>
<td>Percentage of contractual deliverables completed on schedule</td>
<td>&gt; 90%</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>80-90%</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>&lt; 80%</td>
<td>2</td>
</tr>
<tr>
<td>Percent variance between resources actually used and budgeted resources</td>
<td>&lt; 10%</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>10-15%</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>&gt; 15%</td>
<td>4</td>
</tr>
<tr>
<td>Number of risk events with high probability and high impact</td>
<td>1-3 Risks</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>4-5 Risks</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Above 6 Risks</td>
<td>5</td>
</tr>
</tbody>
</table>

Example of vital signs models (KAMPUR, 2001)
Troubled project assessment model (ESI, 2005)
Project Recovery vs. Project Termination

How important is the project for the sponsor, the stakeholders, and the organization?

Can the project continue as planned and defined or does it need to be completely redefined?

The organizational impacts and the resource needs for the recovery are feasible to produce the desired recovery?

Is there a need for political support so that the project can be recovered?

Are you (the project manager) personally motivated and interested to do what needs to be done to recover the project?
Constraining factors to recovery

- Business benefit to be generated by the business cannot be delivered
- The political environment is no longer sustainable
- There is no longer a project sponsor and there is no apparent capacity to replace them
- The business needs have changed
- There have been significant changes in technology
- Contractual or judicial dispute in progress that makes the project unfeasible
- Market conditions have changed
Ways to terminate a project

- **Addition**
  - Discontinue the project by adding the work to be performed and all its resources to a larger project.

- **Absorption**
  - Discontinue the project having another project absorbing the work of the troubled project, without the resources and infrastructure accompanying the work.

- **Inanition**
  - Discontinue the project by inanition (starvation), with the resources that sustain the project no longer being supplied, and the project being terminated due to complete lack of resources.

- **Extinction**
  - Discontinue the project by extinguishing it, with an immediate cancellation action being taken, and the project ceasing to exist and only the work already completed and that can possibly be used is recovered.
Flow chart of the decision-making process identification regarding a troubled project
Flow chart of the decision-making process identification regarding a troubled project

1. Confidentially communicate to main stakeholders
   - Is there any project that can take over this project?
     - Yes: Evaluate the impact of taking over the project
       - Add a project with resources and scope into the main project
         - TERMINATION BY ADDITION
     - No: Can the work be taken over by some other project?
       - Yes: Add the scope into the main project
         - TERMINATION BY TAKE OVER
       - No: Can the project be terminated in a gradual manner?
         - Yes: Remove the resources that support the project
           - The project loses its function because of lack of resources
             - TERMINATION BY INANITION (HUNGER)
         - No: Make official the project's extinction
           - TERMINATION BY EXTINCTION
           - Rescue what is possible
           - Reallocation resources and return the infrastructure
When a recovery strategy for a project is prepared, many say that it is not important to know what drove the project to its current status but rather to see what can be done and will be done to pull it out of that situation.

- However, this statement is incorrect.
- It is very hard to have a correct recovery strategy without knowing the facts that created the problem.
- Particularly, if the drivers are not eliminated, the project might be recovered in the short term, but with time it can fall back into the same critical stage it was before the recovery process.

Another important issue is that recovering a project is to save the loss and restore its usefulness, preventing the project’s total failure (ESI, 2005). Thus, when we intend to recover a project we are not discussing the full recovery of the project, but the avoidance of its total failure.
Project’s triple constraint (scope, schedule, and cost)
Option 1 – Reducing the project scope

This process can save parts of the project that may survive without full scope, as shown.

<table>
<thead>
<tr>
<th>Troubled Project</th>
<th>Action</th>
<th>Recovered Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope</td>
<td></td>
<td>Scope</td>
</tr>
<tr>
<td>Cost</td>
<td>-</td>
<td>Cost</td>
</tr>
<tr>
<td>Schedule</td>
<td></td>
<td>Schedule</td>
</tr>
<tr>
<td>Reduced Scope</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Scope</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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Option 2 – Inflating project costs

Usually this process is used when project scope cannot be reduced and the interest in results outweighs the shortfall caused by an increase in costs.

<table>
<thead>
<tr>
<th>Troubled Project</th>
<th>Action</th>
<th>Recovered Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>Schedule</td>
<td>Cost Increase</td>
</tr>
<tr>
<td>Scope</td>
<td></td>
<td>New Cost</td>
</tr>
<tr>
<td>Schedule</td>
<td></td>
<td>Schedule</td>
</tr>
</tbody>
</table>
Option 3 – Extending schedules

Usually this is used when schedule is not essentially critical for the project, where a slowdown may avoid an increase in cost, thus allowing us to maintain the scope.

<table>
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<tr>
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<th>Recovered Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope</td>
<td>+</td>
<td>Scope</td>
</tr>
<tr>
<td>Cost</td>
<td></td>
<td>Cost</td>
</tr>
<tr>
<td>Time</td>
<td></td>
<td>Time</td>
</tr>
<tr>
<td>Schedule Increase</td>
<td></td>
<td>New Schedule</td>
</tr>
</tbody>
</table>
Option 4 – Full redefinition of the project

The project is totally redefined, thus creating a new relationship between scope, schedule, and cost, with only portions of the original projects scope. Usually this is used when options 1 to 3 are not considered as appropriate.
Actions to Successful Recovery

- Restructure the project team and/or increase the controls over the work.
- Politically consolidate the project with its sponsor, company executives, and stakeholders, searching for broad, unrestricted support.
- Create a solid communication program with a positive message in connection with the changes.
- Conduct and maintain an optimistic attitude and environment and, hoping for success.
- Ensure the personal commitment to assure the success of the recovery strategy.
Recovery Plan Success Factors and Lessons Learned

- Always prioritize
- Be aggressive
- Proactivity
- Worship experience
- Find the problems
- Do not micromanage
- The real problem may not be evident
- Look for and assess the impacts
- Never miss opportunities
- Poor decisions hurt
- Contextualize opinions
Preventing a project from becoming a challenge requires proactive action. First of all, recognizing that a problem exists is itself already a problem.

Unfortunately, reality always proves to be the opposite of a “miracle”.

Therefore, when are faced with a troubled project, the first thing to do is to accept that there is a problem and quickly identify its magnitude, and the actions that should be immediately taken.

In a project this close to danger, any day lost is a day that will never be recover...
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