COMMENTARY

SALVAGING VALUE FROM PROJECT FAILURE

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PERFORMANCE CONSULTANTS SHOULD expect many of their improvement projects to fail. No one knows how many performance improvement projects fail, but Chakravorty (2010) suggests that the failure of improvement projects in general might exceed 60%. In a study conducted by Vitalsmarts and Concours Group (2006), researchers reported project failure rates as high as 80% in some instances. Although project failure rates vary among performance consultants, it seems reasonable to assume that most, if not all, performance consultants will experience project failure at some point in their careers.

DEFINING FAILURE

Project failure is somewhat subjectively defined by the project manager and the project sponsor, but a strict definition of project failure would allow no deviations in the project schedule, budget, or scope. Nelson (2005) rejects this strict definition and argues for an evaluation of project failure that includes both traditional indicators (schedule, budget, scope, etc.) and value-added assessments such as project usefulness, value to the organization, and learning potential. Nelson maintains that many project-oriented disciplines struggle with an unacceptably high rate of project failure, because struggling projects with the potential to add net value are arbitrarily discarded. According to this view, salvaging value from failed or failing projects is a critical skill for performance consultants.

Salvaging Value from Failure

Even expanded sources such as the *Handbook of Human Performance Technology* (Pershing, 2006) include ample information on reducing the likelihood of project failure, but very little advice on planning for and dealing with

project failure when it inevitably occurs. Salvaging value from a failed project is possible (Addison & Lloyd, 1999), and the outcomes associated with an orderly and systematically managed project failure can add value to the organization. For example, the U.S. Navy salvaged $367,000 in value from a failed organizational realignment project by implementing incidental improvement ideas that were captured during realignment discussions (Bolin, 2010).

FOCUS ON OUTCOMES OF PERFORMANCE IMPROVEMENT PROJECT ELEMENTS

Performance improvement projects are different from projects based solely on system and process changes, because the multilevel human-centric perspective of performance improvement enhances the number of opportunities to salvage value from a failed project. The basic human performance improvement model outlines a five-stage project process that removes barriers to performance at the individual, process, and organizational levels of analysis (American Society for Training and Development, 2000; Rummler & Brache, 1995). This comprehensive approach to solving performance problems can be viewed as a matrix of project elements with three analytic levels for each of five project stages. Failure in any one of these elements can derail an improvement project (see Table 1). However, a project is unlikely to fail in all 15 elements simultaneously. Therefore, a focus on outcomes in each of the 15 project elements represents a potential opportunity to salvage value from a failed project.

Business Analysis Stage

During the business analysis stage of performance improvement projects, performance consultants focus on narrowing the field of potential projects by carefully examining business goals, the organization's external environment, the strategic context, and the background of the presented issues. Context and focus are the key

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outcomes of this stage of the project; a properly selected, scoped, and chartered project will establish clear success criteria before moving on to performance analysis. Projects that fail at this stage often suffer from a deficient strategic alignment (Charette, 2003). Business analysis, by design, should result in project failure if the project is ill-conceived.

Failure at the business analysis stage of the project still creates value. Gaining strategic clarity for the organization by eliminating misaligned projects conserves opportunity costs; these savings can be applied to support other priorities (Charette, 2003). As an established partner in developing and maintaining the organizational strategy, a performance consultant should voice concerns and dissent. At the process level of analysis, the performance consultant can also add value by uncovering competing priorities in the client organization. Misaligned priorities in different organizational units reveal strategic weakness in the organization and can result in optimized performance of the parts at the expense of the overall organization. Misaligned priorities in organizational units commonly result in perverse incentives at the individual level of analysis. Perverse incentives refer to incentive systems that inadvertently provide rewards for behaviors that undermine the organizational strategy.

Performance Analysis Stage

During the performance analysis stage of a project, performance consultants focus on establishing a system

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of metrics to determine the performance baseline and performance gap. The performance analysis process may also include locating the points of friction in a process through proper measurement and identification of exemplar performers. Project failure at the performance analysis stage of a project often results from inability to produce meaningful information about performance issues and the emergence of resistance to change. Because the focus of the consultant's interactions moves away from leadership toward the process and performers, more people become aware of the improvement effort and have their first opportunities to undermine the project.

The value derived from failure at this stage of the performance improvement project may be at the organizational, process, system, and/or individual level. At the organization level, the simple act of establishing or improving performance measures can often result in substantial improvements to performance (Addison &

TABLE 1	EXAMPLES OF OPPORTUNITIES TO SALVAGE VALUE IN EACH PROJECT ELEMENT		
	LEVEL OF ANALYSIS		
PROJECT STAGE	ORGANIZATIONAL	PROCESS	INDIVIDUAL
Business Analysis	Improve strategic clarity Save opportunity costs	Identify competing priorities	Identify perverse incentives
Performance Analysis	Improve measurement	Identify points of process friction	Improve accountability Identify exemplars
Cause Analysis	Identify second- and third-order impacts of management decisions	Measure process capacity limits Eliminate outdated process steps Document stakeholder implemented changes	Identify stakeholder groups and individuals as roadblocks to change
Intervention Selection and Implementation	Develop creative work-arounds for change-resistant culture and policies	Capture standard work practices for future reference	Place change resistant individuals on notice
Evaluation of Results	Capture lessons learned Uncover productive lines for new improvements	Revise mental models Document performance improvements as a new baseline	Reward and recognize project participants Reinforce performance improvement as an ongoing initiative

Lloyd, 1999). Many things compete for the attention of organizational leaders, and performance measures help focus a spotlight on underperforming organizational units. At the process level, locating the points of friction in a process provides a similar opportunity for the performers to begin fixing problems. From the systems view of the process, knowing where the problem is *not* can provide useful insight and improve performance. At the individual level of analysis, simply identifying exemplar performers can result in performance improvement and standardization of innovative techniques. In situations where exemplars are not easy to identify, the process itself may be constraining performance. Again, knowing that the performance group is *not* the source of performance difficulties helps to focus attention away from areas where the problem is not.

Cause Analysis Stage

During the cause analysis stage of a project, performance consultants focus on gathering information and testing hypotheses about the root causes of performance problems. Project failure at this stage of the process is often caused by poor performance analysis or poor business analysis. Even so, projects can spiral into failure at the cause analysis stage of the project for political, analytic, and other reasons. An exhaustive list of the possible reasons for project failure could fill volumes, so every project should include a plan for predicting failure and dealing with failure when it occurs.

Salvaged value in the cause analysis stage often comes in the form of management or performer insight. Management directed actions can have second- and third-order impacts that are unanticipated; even preliminary cause analysis will normally uncover some barriers to performance that can be attributed to direction from above. Cause analysis should also reveal the capacity limits of the process, and allow the performance consultant to recommend deleting outdated process steps. Systematically testing and eliminating potential barriers to performance normally begins during cause analysis, because stakeholders are unlikely to wait for formal approval to implement small changes throughout the process as the barriers are identified. Documenting these stakeholder-implemented changes provides an opportunity to add value even if the project fails for other reasons. At the individual level of analysis, cause analysis may reveal embedded stakeholders resisting change. This information is valuable to management but is also valuable in pointing out misaligned organizational structures and performance incentives. In rare instances, a single powerful individual owns the problem (i.e., is the root cause). When project failure is attributable to

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specific individuals in an organization, the situation cannot always be resolved quickly. The project may fail, but identifying the individual or individuals serving as a roadblock to progress often starts the process of change by slowly eroding support for his or her position.

Intervention Selection and Implementation Stage

During the intervention selection and implementation stage of a project, the performance consultant focuses on selecting and applying the appropriate solution to each root cause identified. Van Tiem, Moseley, and Dessinger (2001) provide extensive guidance on how to map root causes to interventions. Even so, project failure is common at this stage primarily as a result of poor implementation. Knowing what changes to make to improve performance is very different from actually making the changes; a legion of barriers to implementation exist, including budget, schedule, resistance to change, political posturing, competing priorities, and even organizational inertia.

Salvaging value from a failed project is often very difficult at the implementation stage, because the consultant's informational influence has already been spent in gaining support for his or her findings. The project is nearing completion and project team members may begin to leave the project to tend to other priorities. Failure of implementation is common (Addison & Lloyd, 1999), due partly to the common practice of handing responsibility for implementation back to members of the client organization. As management attention shifts to other priorities, stakeholders who are successful under the current system have little incentive to follow through with recommended changes (Charette, 2003). The likelihood of salvaging value from a failed implementation is much greater if a detailed risk management plan exists with

built-in flexible action steps (Addison & Lloyd, 1999). Developing creative work-arounds for change-resistant culture and organizational policies, capturing standard work practices for future reference, and putting change-resistant individuals on notice represent three opportunities to add value to the organization even if the overall project fails.

Evaluation-of-Results Stage

During the evaluation stage of a performance improvement project, the performance consultant focuses on confirming that the solution has addressed the root causes, fine-tuning implementation and evaluating improved performance against the baseline measures. In some organizations, project evaluation is carried out by an independent review team to ensure impartiality. Failure at this stage of the project is normally due to improper baseline measurement or faulty implementation. That is, a project does not normally fail during evaluation, but failure in earlier stages can remain undetected until the formal evaluation is complete.

Shepherd and Cardon (2009) maintain that even costly project failures provide individuals and organizations with an opportunity to learn, because projects provide experience that can be a source for both growing and confirming employee competence. Any opportunity to learn about organizational process and revise mental models about how the organization produces value is useful. At the evaluation stage of analysis, fine-tuning implementation with timely feedback is still possible, and capturing lessons learned provides an additional opportunity to add value to the organization's bottom line (Von Zedtwitz, 2002). Every failed project can add value by reducing the chances for failure on future projects. Finally, project failure represents a real opportunity to reward and recognize members of the project team and publicly reinforce the organization's commitment to performance improvement as an ongoing initiative.

CONCLUSION

This general framework for salvaging value from failed project improvement projects is intended to recast discussions of project failure away from something to be avoided toward something for which to plan. Charette (2003) maintains that some project failures are absolutely necessary for organizations to succeed. Performance consultants who understand how to cope with project failure and salvage value hold a critical skill that can offer a distinguishing competitive advantage. Planning for and managing project failure reduces risk to the client organization and helps maintain the consultant's professional

reputation. Learning from project failure is also a good way to drive deep organizational learning (Von Zedtwitz, 2002) and provide some performance benefit to the client organization.

The body of knowledge on the topic of project failure in the performance improvement domain is scant. Performance improvement practitioners do not have a catalog of project outcomes, and no large scale survey of project failure rates in the field has been made. Measurement and instruction in the area of planning for and managing project failure are also underdeveloped. Every project, whether failed or successful, can add lessons learned to the project archive and provide training for inexperienced project managers and implementation teams. Although the ideal outcome will always be a perfect record of project success, performance consultants who know how to fail gracefully will have an advantage in the real world. ⁂

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