

# Professional project management

for optimum efficiency

## When Projects Become 'Distressed'

We have probably all experienced it at least once: a project that started with great enthusiasm goes off the rails. The budget runs out, the goals are not achieved, and in the end, to make matters worse, the parties involved in the project stand irreconcilably opposed to one another.

It is particularly frustrating when strategic projects or projects that cannot be abandoned are at risk of failure.



These include, for example, company-wide infrastructure projects or projects that your company must successfully complete by a deadline due to legal requirements.

In such cases, you have no choice but to complete the project, which can become truly unpleasant and expensive.

But what can you do when problems pile up, and the project threatens to develop sustainably negatively?

### What is a 'Distressed' Project?

A "distressed project" refers to a project that is significantly deviating from planned values and is at risk of failing to meet its key objectives, namely budget, timeline, and quality standards.

Various statistics suggest that this applies to around 45 percent of all projects. Approximately two-thirds of these projects were successfully salvaged by the companies, while one-third were actually terminated.

## Typical Problems

Projects play an important role in implementing a company's programs and portfolios. They are essential for achieving the set goals in the transformation or continuous development of the company.

Despite numerous methodological approaches and employee training, many projects become distressed. Projects become distressed when one or more of the project goals—costs, deadlines, or quality—are not achieved or are no longer attainable. The issues involved are very diverse and, in many cases, have little to do with the methodology itself. These problems can roughly be categorized into three groups:

1. **Technical Errors:** Errors in applying the methodology, such as issues with requirements, lack of risk assessments, under-budgeting, and flawed planning.
2. **Communication Issues:** Differing understandings of the project's objectives, the approach to achieve those objectives, and often the project's significance for the company.
3. **Collaboration Problems:** Lack of alignment and synchronization among the involved parties.

### Example for typical causes

- Lack of a unified approach despite similar methodological frameworks
- No centralized management of programs and projects
- Requirements are not implemented or are unclear
- Escalating costs
- Failure to meet deadlines
- Additional risks in procurement and delivery
- Political obstacles due to changing circumstances
- Resource overload, among other issues

### Sources

- **Only 43% of projects are completed on time and within budget, and only 29% are on schedule.**  
*Source: Wellington Ltd., 2020*
- **33% of all IT projects fail due to a lack of involvement from executives.**  
*Source: University of Ottawa, 2008*
- **75% of IT leaders believe their projects are "doomed to fail" from the start.**  
*Source: Geneca, 2017*
- **On average, project budgets exceed the planned amount by 27%.**  
*Source: Harvard Business Review, 2003*
- **In one out of six companies, project budgets exceed the plan by more than 200% by the end.**  
*Source: Harvard Business Review, 2003*

Even though these studies are somewhat older, they remain valid to this day.

## The Challenge for Companies

The challenge for companies lies in finding a way out of this situation as quickly as possible. The following points need to be carefully analyzed:

1. What issues exist in the projects, and what are the root causes?  
Are there possibly politically or personally motivated obstacles?
2. How can I bring about initial improvements in a timely manner?
3. What needs to be done to implement a long-term solution?
4. What will it cost, and are the costs still proportional to the desired outcome?
5. Can I address the problems with internal resources, or do I need experienced experts?



## Methodical ADVASO solution approach: rescue in four steps

How can one get a handle on the root problems of distressed projects?

### Step 1: The Quick Check

In an initial discussion, we clarify what expectations and problems exist from the stakeholders' perspective in the project and what the possible causes might be. As experienced project specialists, we can often very quickly assign the causes to the areas of communication, collaboration, and project organization due to our impartiality and develop solution approaches thanks to our greater objectivity.

We gain an initial overview of the situation in the project and can prepare specifically for the next steps.

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### Step 2: The Analysis through a Project Audit

We focus on the simpler part, addressing technical errors. To get a project back on track, a thorough project audit is required. This determines, using auditing mechanisms developed by us, whether the methodology was applied correctly and whether the results meet the actual requirements.

Here are some examples:

1. **Faulty or inaccurate effort estimates:**  
The efforts were determined in advance based on inaccurate estimates, were not subsequently reviewed for realism, and were accepted as given.
2. **Unrealistic budget specifications:**  
Unrealistic budget specifications have a direct connection to effort estimates and the necessary investments resulting from them.
3. **Lack of risk management:**  
Risks were not identified or analyzed, and no measures were derived to prevent or minimize risks.
4. **Insufficient quality assurance:**  
Products and their requirements are often poorly defined. Tests and ongoing review of results, enabling corrective actions, are missing.
5. **Lack of support in the steering committee:**  
This occurs when the steering committee is not made aware of the consequences of its actions or is not offered alternatives. This is typically a failure of project management.

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### Step 3: The Recovery Plan

When the project auditor identifies the corresponding issues, it is their task to develop a recovery plan or catalog of solutions and discuss the shortcomings with the client and project manager. The goal is to implement initial improvement measures promptly. This not only has positive effects on the ongoing projects but also on future projects ("lessons learned").

But caution! The audit may also conclude that the struggling project cannot be meaningfully continued and must be terminated or completely restarted.

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### Step 4: Development of a Sustainable (Project) Strategy

In the third step, a strategic approach is necessary to achieve permanent improvement. One solution is the implementation of a Project Management Office (PMO), if one does not already exist. The PMO defines an approach tailored to the needs of the company. All proposed methods and lessons are designed only to provide a framework that must be adapted to the individual situation of the struggling project. The methodological approaches are not "sacred cows" or ultimate solutions; each method has its strengths and weaknesses.

Therefore, the goal is to develop a "best of" for one's own company.

## Conclusion

Not every project can be saved. Some projects even need to be discontinued or restarted.

However, it is important to quickly begin identifying the causes of failing projects in your company and take measures to ensure that future projects are carried out successfully and do not risk failing due to the same problems.

In a volatile market, it is now essential to execute projects more quickly to avoid being overtaken by external developments.

## FAQs

1. **Can every project be saved?**

The honest answer is "NO." Some projects are so far gone that there is no realistic way to bring them to a successful conclusion.

2. **What role does a project manager's ability to learn and know a method play?**

Methods are important; they are the toolbox a project manager uses. However, much more important is the project manager's ability to use these tools correctly in each situation, to know the methodological weaknesses, and to apply them in a customized way.

3. **Which method is the right one for a project?**

With over 30 years of experience in project management, the truth is simple: every method has its history, strengths, and weaknesses. Ideally, a good project manager should know, understand, and be able to apply several methods and their differences.

4. **What role does management play?**

Management and the project owner are important because a project manager is ultimately just an executor for the client. Decisions are made by the client and the steering committee. Without the support of the involved project resources or the project owner's acceptance, projects are usually doomed to fail. Successes are more often coincidental.

5. **What makes a good project expert?**

Today, at ADVASO, we manage projects for our clients using a hybrid approach based on adapted standards. Hybrid not only means combining Waterfall and Agile but also leveraging the strengths of other methods. Following the motto, "the best from the different toolboxes is also the best for the successful implementation of our clients' projects," the optimal "recipe" and experience make the difference!

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## Contact

For questions, we are happy to offer you a free initial consultation.

Visit our website and book a personal appointment.

ADVASO GmbH  
Felsenstr. 4  
CH-8808 Pfäffikon SZ  
Mail: [info@advaso.com](mailto:info@advaso.com)  
ADVASO.COM

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