CEO IMPERATIVE

SILENCE FAILS

WHY MOST MAJOR CORPORATE PROJECTS FAIL –

AND THE FIVE CRUCIAL CONVERSATIONS LEADING TO SUCCESS

BSG Concours
A division of BSG Alliance

VitalSmarts™

TOO MANY BAD BETS

This year business leaders around the world will make an awful bet. They will bet a substantial portion of their organizations' budgets on ventures that have less chance of paying out than a red or black bet on a roulette wheel. And yet, as in every year for many decades, they will continue to put the money down.

Senior executives frequently bet their companies on high-stakes efforts like major product releases, strategic IT projects, organizational restructurings, fast-paced downsizings, or aggressive quality initiatives. And these bets rarely pay off as anticipated. With estimated failure rates ranging from 72 to 91%[1], companies' collective inability to execute on major projects costs hundreds of billions of dollars a year. For example, it's estimated that of the $255 billion spent per year on IT projects in the U.S., more than a quarter is burnt up in failures and cost overruns.[2]

In addition to sapping business performance, these project failures cost careers. Now more than ever, CEOs are under pressure to get results quickly. In 2005, CEO turnover doubled from the year before.[3] In just the past five years, close to two-thirds of all major companies have replaced their CEOs. CIOs are similarly vulnerable, with a quarter losing their jobs each year.[4] Studies suggest that an inability to deliver on critical projects is a primary reason for this alarming rate of dismissals. These executives' shortcomings were less about strategy and decision making than about their ability to execute their plans.[5]

Silence Fails was a major study conducted by The Concours Group and VitalSmarts with the goal to identify the causes for project failure and how to address them. This worldwide study involved over 1,000 executives and project management professionals representing a cross-section of major corporations, and included analysis of over 2,200 projects. We found that business and project leaders can substantially improve their organization's ability to execute on high-stakes projects and initiatives by breaking a "code of silence" on five astoundingly common yet largely undiscussed and ignored problems that underlie almost all project failures.

1 "CHAOS Chronicles," Standish Group, 2004 and Kaplan and Norton in "The Strategy Focused Organization."

2 CHAOS Chronicles, Standish Group, 2004.

3 Challenger, Grey, and Christmas, cited in USA Today, 10 April 2006, p. 2B.

4 "Work Management: Why Can't Information Managers Manage?" John J. Lucas, PMI Seminar/Symposium. Proceedings, 1995, p. 304-310.

5 Study by LeadershipIQ.com.

WHY SILENCE FAILS

Over the past twenty years, management experts and project professionals have focused on improving the formal systems and techniques related to business program and project management. While these new approaches have improved results, today two-thirds or more of initiatives, programs, or projects still miss their mark. The ***Silence Fails*** study dives below the formal management systems to identify what's missing.

The results show that failures can be both predicted and prevented with surprising reliability. That's because most projects fail for reasons that are *widely perceived but rarely discussed*. The best predictor of the future of a project is the quality of just a handful of high-stakes conversations that must occur along the way – but tend not to. When even one of these *five crucial conversations* fails, a silent crisis plays out in a deceptively simple dynamic that produces failure 85% of the time.

The problem is not that we have problems – even the five outlined here. Anytime an organization launches an initiative that entails high levels of interdependence among levels and functions, there will be difficulties. But these five problems are far more common than most senior leaders realize. 90% of project managers routinely encounter one or more of these five concerns, and nearly 20% of projects are plagued by all five. And yet these problems are not a death sentence for projects.

Initiatives are derailed when people are unwilling or unable to speak up about the problems they see. When one or more of these five problems is not confronted – or not confronted well – they fester, workarounds proliferate, politics prevail, and project failure becomes almost inevitable. But when people are able to discuss these problems in effective ways, projects come back on course. Increased effectiveness at any one of the crucial conversations that address these problems improves project performance – on budget, on time, on spec – by 50-70% or more.

Most importantly, ***Silence Fails*** shows how business leaders can substantially improve their organizations' ability to execute on high-stakes projects and initiatives. The most important implication of this research is that CEOs and other business leaders have the potential to shape success and prevent failure by creating a culture where the five conversations are held quickly, reliably, and effectively.

FIVE CRUCIAL CONVERSATIONS FOR FLAWLESS EXECUTION

PROBLEM #1: FACT-FREE PLANNING

Fact-free planning describes ways business leaders set project parameters without involving – or by falsely involving – project managers. Sometimes project managers are given little opportunity to determine what the project will really take by way of resources, budgets, and timelines. Other times, they are asked to calculate what's needed, but then their estimates are ignored. And sometimes an executive will make commitments to another stakeholder without the project team's consent and will then present the plan as a done deal. In all cases, the result is a set of timelines, budgets, and deliverables that is unrealistic from the beginning. Over time, teams that are subjected to fact-free planning learn to pad budgets and timelines – anticipating that their estimates will be ignored.

The only way out of this vicious cycle is for project managers and executives to candidly express their suspicions and doubts – and discuss the data. While these crucial conversations aren't easy, they are the only path to rational commitments.

PROBLEM #2: AWOL SPONSORS

Project sponsors are responsible for providing leadership and political support. And they frequently don't. When the sponsor is AWOL (absent without leave), the project team is stranded and exposed. They're sent off to accomplish a task and don't have the firepower needed to implement. For example, key managers whose help or resources are needed to enable the project may fail to come through, and the sponsor who has the organizational muscle to hold them accountable fails to do so.

Our study shows that 65% of project managers regularly face problems with AWOL sponsors. And only about half of them make some attempt to bring up their concerns. This can be a very tough conversation – 88% describe it as difficult, if not impossible, to have in their organizations. Fewer than one in five project managers is able to hold this crucial conversation with the sponsor in a way that solves the problem.

PROBLEM #3: SKIRTING

Powerful stakeholders and other senior executives often skirt the formal decision-making, planning, and prioritizing processes altogether. They need what they need, and don't want to be burdened with practical considerations, so they work around the process. The results are often outrageous over-commitment, disappointment, and burnout. Projects get approved for which there are no resources. Scope creep bloats approved projects far beyond the resources originally budgeted. And team members deliver a succession of disappointing results and suffer from battered morale.

We found that 83% of project managers routinely contend with stakeholders and others who skirt the formal planning and execution system. Only 13% are able to skillfully raise their concerns in a way that gets heard and acted upon. Skirting issues tend to last the life of the project and beyond, and 80% of projects with skirting issues fail to achieve their objectives.

PROBLEM #4: PROJECT CHICKEN

Team leaders and members often don't admit when there are problems with a project, but instead wait for someone else to speak up first. They play "project chicken."

This costly game resembles the lunatic practice of driving cars head-on as a test of nerves to see who swerves out of the way first – and who is more "chicken." The corporate version is played when project participants fail to admit they may fall short on deliverables and need more time or resources. Instead, they hope some other group in the project has problems and will speak up first. Whoever speaks up first will be blamed for causing the delay, but everyone who is behind will benefit.

When project participants play chicken (and over half of project managers say they face it regularly), the status and review process becomes a joke. The team loses opportunities to gracefully respond to problems by revising goals, shifting resources, or reorganizing plans. Instead, the project hurtles forward on a collision course with failure while everyone watches – nervous but silent.

PROBLEM #5: TEAM FAILURES

Almost all project managers suffer from a common lot – they have more responsibility than they have authority. They "lead" large cross-functional groups with very few direct reports. Often, *all* participants have other masters – and it shows.

Project managers report being hobbled by team members who don't show up to meetings, fail to meet schedules, or lack the competence to meet ambitious goals. Often these managers have no say in selecting or replacing these non-performers and feel powerless to coach them. Instead, they ignore the deficiencies and "work around" the problem.

An underlying source of team failures comes when project managers must negotiate with functional managers to staff their projects. These functional managers often have many other priorities and are unresponsive. Our study showed that when project managers fail to effectively address performance problems in their teams, four out of five projects suffer from budget, schedule and quality problems.

WHAT HAPPENS WHEN PEOPLE SPEAK UP?

Across the five problem areas, about half of project managers make some attempt to speak up, but most are ineffective. Some speak up but water down their concerns, so the issues are never fully aired. Others speak up but do so in a way that provokes defensiveness in others. And a handful – about one in eight – are able to share their full concerns and, by the end of the conversation, find that their views are understood and respected.

However, when a skillful leader creates even a moderately safe environment, the results are extraordinary. The likelihood of a project going over-budget is reduced by almost half. Meeting the schedule is at least 40% more likely. Quality improves almost 60%. And the likelihood that the project will end with strong morale and intact stakeholder relationships is almost 70% greater.

Our research shows that, while the skill of the initiator is a key ingredient in ensuring these crucial conversations are held, the receptiveness of the other party is similarly important. Project managers who are adept at holding crucial conversations are far more effective in dealing with prickly and defensive executives. But their skill doesn't guarantee that their concerns will be addressed. Unless and until business leaders take the measures necessary to ensure that the environment is conducive to holding these crucial conversations, many issues will remain unaddressed, invisible, and sometimes fatal.

Project managers who speak up effectively do indeed affect project success, and others can be taught to speak up more skillfully and achieve similar results. It is possible to rapidly and measurably change an organization's patterns of silence to patterns of dialogue, accountability, and results. But executive management must show the way.

WHAT CORPORATE LEADERS CAN DO

1. **Develop a business case for change.** The crucial issues we're addressing are so common that many business executives have stopped seeing them. Rapid improvement can be made, but not if these crucial conversations are seen as "soft" issues – or as a "nice to do." Begin building a case for change by making the problems visible. Track and publish data about project successes and failures. Engage senior executives in a "listening campaign" where they lead structured focus groups to validate whether and how much these five problems affect current results. The goal of this process is to help senior leaders connect the behaviors we describe here with business results they care intensely about. Once they can articulate this connection, they will see the business need for changing these key behaviors – and holding the crucial conversations.

2. **Measure behaviors.** Leaders who are serious about improving behaviors regularly measure how people are currently behaving. Survey what's happening in your organization's projects, and repeat the assessment at key intervals among project teams. Use the initial assessment as a baseline for measuring progress in dealing with the five crucial conversations. Discuss the results with the right people – the executive team, project sponsors, and project managers. The results will draw attention to the most crucial issues and whether they are being adequately discussed and addressed. The results will also reinforce your ongoing business case for change.

3. **Invest in skills.** Most project managers and team members lack the confidence to address these politically sensitive issues because they don't know how to lead these risky discussions. But business leaders who train their people to deal with these specific crucial conversations see substantial improvement in whether and how the issues get resolved. So *make leaders the teachers*. People will change their behavior more rapidly (our research suggests two to three times faster) if business leaders deliver the training. And monitor the impact of this investment in skills. Determine the behaviors that are connected to the results you want to improve, and track both the behavioral change and that bottom-line result you're after.

4. **Hold senior management accountable.** Investing in project managers' and participants' competence at holding crucial conversations is necessary but insufficient. You've also got to hold project sponsors, functional managers, and other executives accountable for creating a safe environment for these crucial conversations to take place. Measure both employee confidence and senior executive support for holding crucial conversations. Evaluate how business leaders meet such organizational improvement goals – and even tie them to senior executives' bonus compensation. When senior executives know that they are accountable for how well they lead, model, and inspire behavior change, they get much more interested.

5. **Make heroes of early adopters.** The key to getting 100 people to speak up is to publicly reward the first one who does. Highlight and reward people who take a risk and initiate these crucial conversations. Send a clear and public message that these conversations aren't just important, they're *crucial*. Praise individuals who surface sensitive project risks in private, or even challenge leaders in a public forum. If you want to change the values of an organization away from silence and toward candid dialogue, make heroes of those who take a chance with the new behavior.

CONCLUSION

We called our study ***Silence Fails*** because it demonstrates how the pervasive failure of these five crucial conversations undermines the performance and success of a wide range of business initiatives. The problems we've discussed may be both common and extremely damaging. But they only derail projects by choice – when people see the problems and *choose* not to speak up. And people do see the problems.

We hope that this research – and this *CEO Imperative* – draw attention to these five crucial conversations so that business leaders and project managers can begin to address them with the intensity they deserve, and so that senior executives can create the organizational context where these conversations are welcome. When they do, project team members can focus their energies on flawless execution and stellar results.

We invite your inquiries at +1 281 359 3464.

VITALSMARTS

An innovator in corporate training and organizational performance, VitalSmarts helps teams and organizations achieve the results they care about most. With award-winning training products based on more than 25 years of ongoing research, VitalSmarts has helped more than 300 of the Fortune 500 realize significant results using a proven method for driving rapid, sustainable and measurable change in behaviors. VitalSmarts has been ranked twice by *Inc*. magazine as one of the fastest growing companies in America and has trained more than 500,000 people worldwide.

VitalSmarts currently offers Crucial Conversations® and Crucial Confrontations™ Training – powerful tools that build teams, enrich relationships and improve end results. VitalSmarts has two *New York Times* bestselling books of the same titles, *Crucial Conversations* and *Crucial Confrontations*. www.vitalsmarts.com

BSG CONCOURS

BSG Concours is a new breed of research, education, and advisory services firm. We work with senior executives of over 300 of the Global 1000 to master critical issues in management and to turn human and technological potential into business value. BSG Concours integrates research, education and consulting in ways that amplify value to our clients. Our work revolves around future best practices in business, technology, and human asset management. Our research discovers and develops these practices, our executive education articulates them and motivates their adoption, and our innovative senior-person advisory services enable clients to implement them quickly and realize the business results.

We are associated with many of the world's thought leaders in management practice, and our publications influence management thinking worldwide. Our staff has developed many of the important management techniques in use today and displays an old-fashioned commitment to client results. Our leadership has been delivering innovative management consulting and education services for over two decades.

BSG ALLIANCE CORPORATION

BSG Alliance Corporation (BSG) helps its customers become Next Generation Enterprises. Today's business conditions demand fundamentally new forms of enterprises: intensely collaborative, constantly informed, technologically adept, analytically managed, innovative in strategy and execution, fast and flawless in accomplishing change, and relentlessly focused on the customer experience. A Next Generation Enterprise operates *on demand* – both in responding to its customers and in assembling and deploying its resources.

BSG partners with forward-looking companies and their senior executives to help them deploy new technologies, business models, and information systems to thrive in today's highly competitive global economy, and to sustain their performance in tomorrow's. BSG operates through three complementary business units:

BSG Concours – a leader in executive education, research, and strategic advisory services – enables customers to develop business transformation strategies and prepare their leadership for tomorrow's challenges.

BSG Delivery assists CIOs and other business leaders with meeting their technology and business process imperatives – from identifying and evaluating technology strategy, through application development and service integration – using Enterprise 2.0 tools and other transformational technologies, practices, and solutions.

BSG Applications offers innovative, on-demand, Web 2.0-based business applications, as well as collaborates with business customers and industry consortia intent on rapidly implementing game-changing solutions for their specific vertical markets.

Together they provide an always-on, integrated platform of strategic research, leadership development, expert advisory services, on-demand software solutions, and technology professional services. BSG welcomes the opportunity to help your organization become a Next Generation Enterprise. On Demand.™

BSG Concours
A division of BSG Alliance

BSG CONCOURS

North America

800 Rockmead Drive
Suite 151
Kingwood, Texas 77339
Tele: +1 281 359 3464

175 Cabot Street
Suite 300
Lowell, Massachusetts 01954
Tele: +1 978 322 2100

Europe

211 Piccadilly
London W1J 9HF
England
Tele: +44 (0)20 7830 9740

Siriusdreef 17 - 27
2132 WT Hoofddorp
The Netherlands
Tele: +31 (0)23 568 9378

Römerstrasse 11
D-82049 Pullach
Germany
Tele: +49 (0)89 793 0079

www.bsgconcours.com

BSG ALLIANCE CORPORATION

Headquarters

Barton Oaks II
901 S MO-Pac Expressway
Suite 100
Austin, Texas 78746
Tele: +1 512 904 3400

info@bsgalliance.com

www.bsgalliance.com