



# Understanding Major Project Failures

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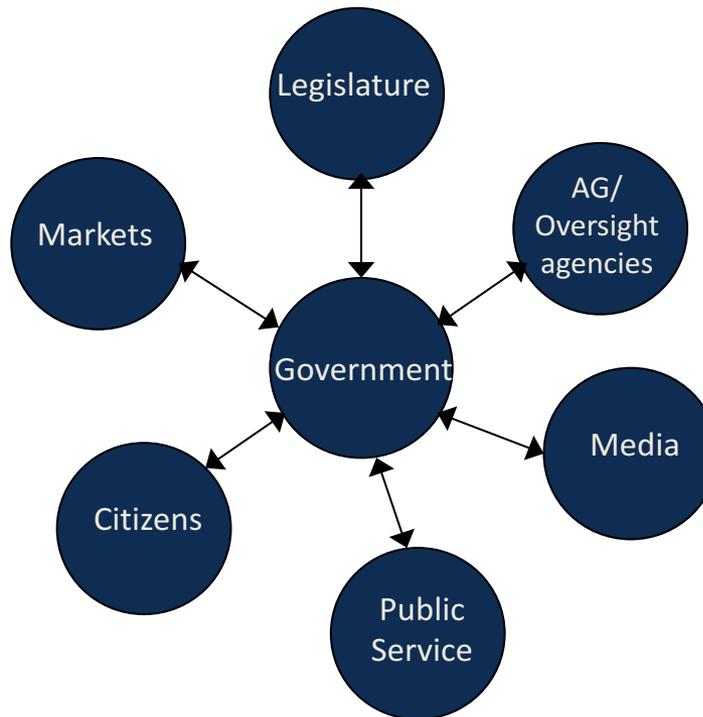
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Osgoode Hall Law School

Advanced Procurement Law and Practice: Major Projects and Tendering

# Understanding major project failures

- Projects don't happen in a vacuum.
- Competing stakeholders with differing incentives can influence outcomes.



# Defining project failure

- Project failure: breach on time, money or outcome is perceived to be material.
- Materiality is context dependent: \$19 orange juice v. war in Afghanistan.
- NB: Not addressing corruption.

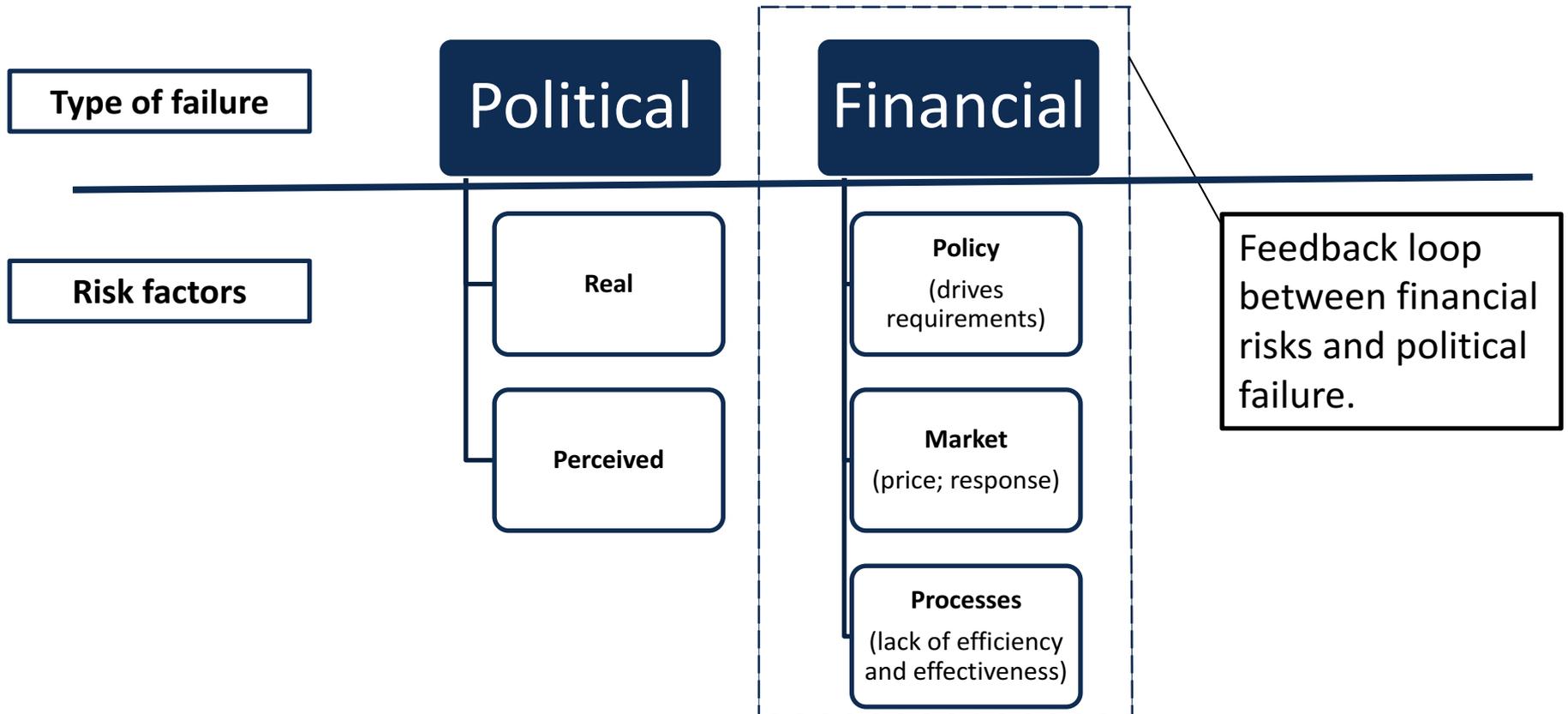
# Why project failure matters

- Political and financial consequences that extend beyond government and corporations to you:
  - Taxpayer
  - Public servant
  - Citizen/service recipient
  
- What are some examples of program failure?

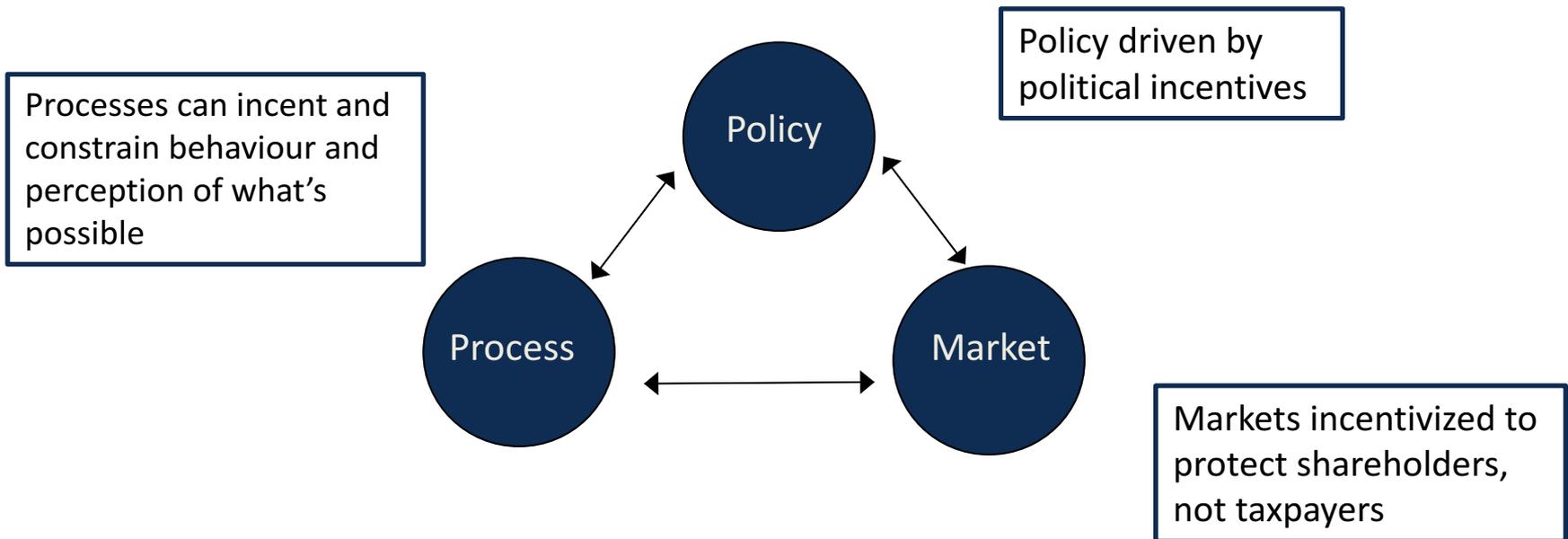
# Plan

1. Why projects fail (incentives and inefficiencies)
1. Proposed solution (evidence-based comparative methodology)

# Types of failure and risk factors



# Connecting risk and context



NB: Risks are interconnected; they can be costly financially and politically.

# Risk influences instrument choice

- Modalities of implementation/instruments abound:
  - P3
  - Sole-source
  - In-source
  - Multiple procurements
  - Single procurement
  - Etc.
  
- After examining political and financial risk, instrument chosen to achieve desired policy outcome.

# Instrument choice and project failure

- Perception that risk is offloaded through instrument choice is not always accurate:
  - F-35 (policy problem)
  - Gun registry (process problem)
- How do you manage project risk, while achieving desired policy outcomes?
- Combat incentives by being evidence-based:
  - Government concerned with re-election
  - Markets protect shareholder interests
  - Processes can frustrate execution

# Proposed solution

- 1. Front-end loading:** performance framework
- 2. Comparative approach:** data and evidence
- 3. Tools:** people and processes

Case study analysis: High-risk IT project

# Performance framework

- Identify how you'll monitor progress and determine success prior to starting the project.
- Context
- Input
- Output
- Outcome

# Comparative approach

1. Undertake broad analysis to define commonalities among similar jurisdictions.
2. Commitment to sharing anonymized data with participating jurisdictions at no charge.
3. Disciplined data collection and data management policies.
4. Jurisdiction visits.

# People and processes

- HR/capacity:
  - Right people, right time, right place (sequencing matters).
  - Capacity can limit output and impact outcomes.
  
- Procurement (often cited as a process problem):
  - Experts generally agree that beyond the structural incompatibilities latent in goods-oriented procurement systems, procurement is a human problem.

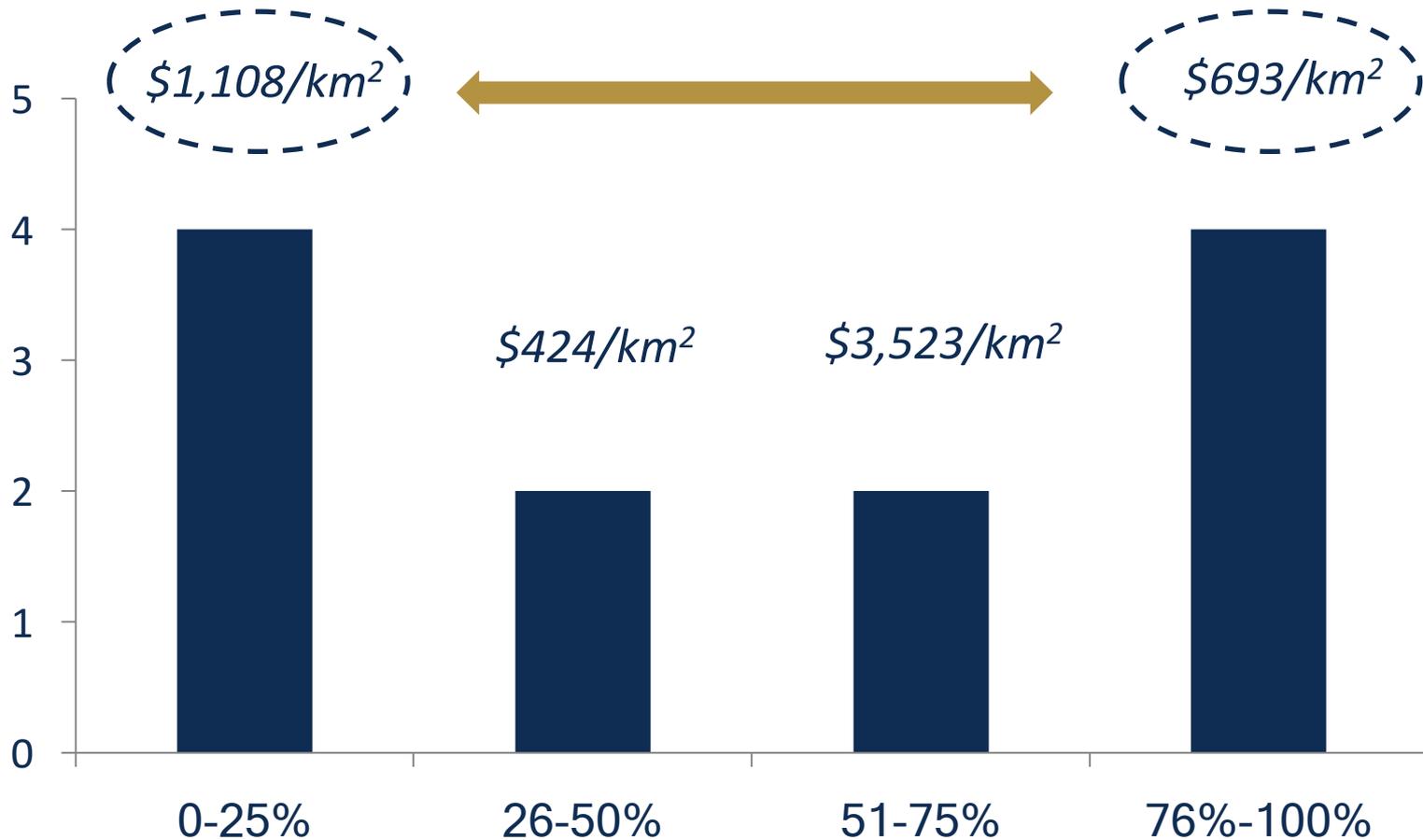
# Case study

**Big project + Big Price Tag + High Profile  
=  
Big risk and nervous politicians**

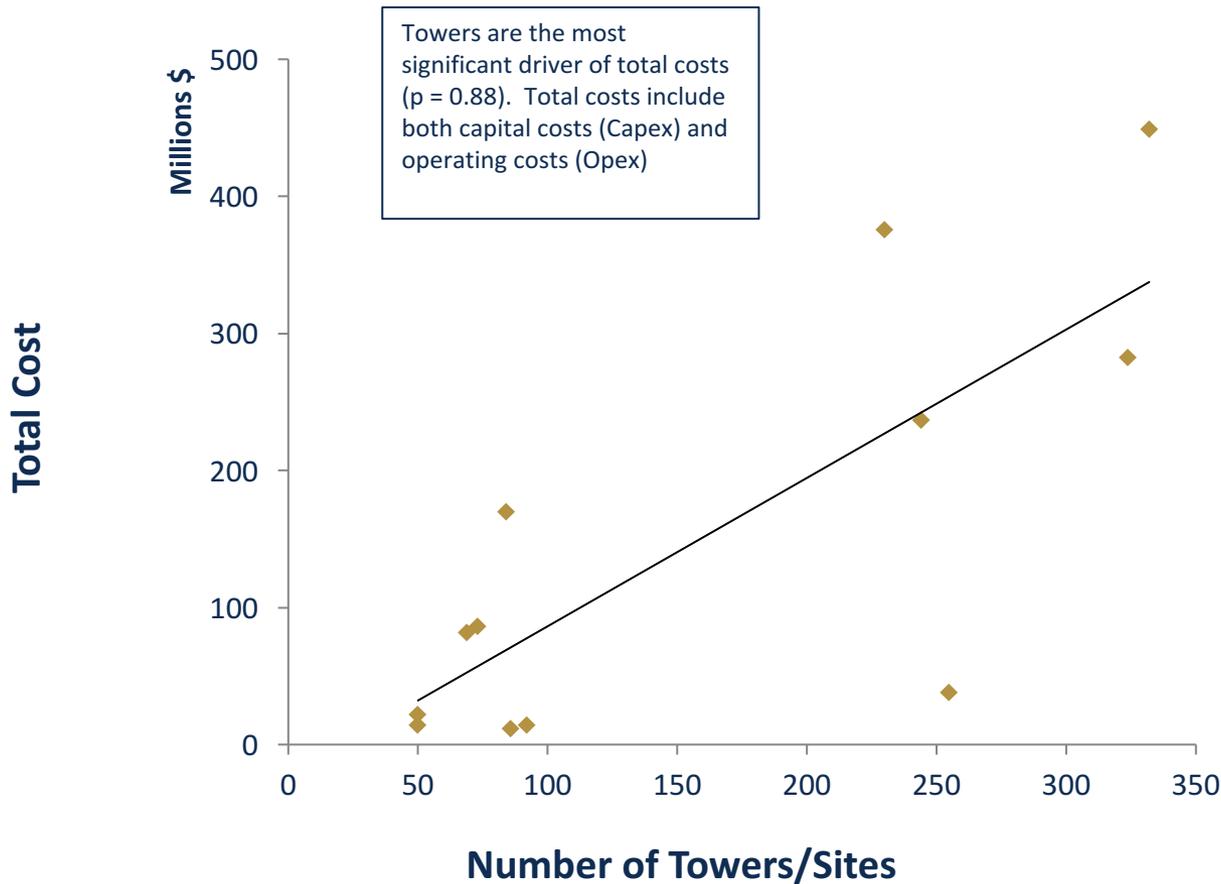
# Case study

- Performance framework
  - Context = sensitive file; political risk.
  - Desired outcome = fully-costed options analysis to cabinet for decision-making.
  
- Comparative approach
  - Data collected from 12 comparable jurisdictions; largest dataset in North America.
  
- People and processes
  - In-sourcing most common and cost-effective modality.

# Government ownership of infrastructure = lower costs

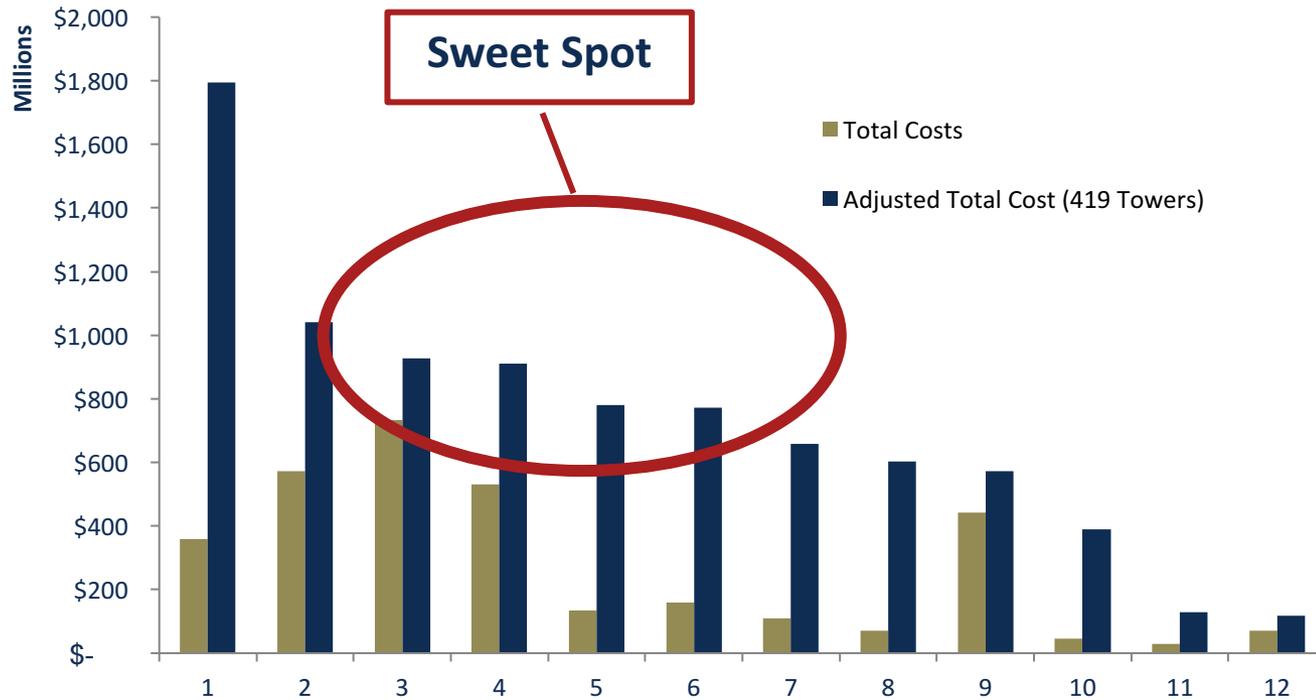


# Tower numbers drive Total Cost



\* n=12

# Costs and adjusted costs



The lifecycle Total Cost of all of the sample jurisdictions are presented for comparison

# Discussion

- In a well functioning democracy, accountability should lie solely at the political level.
- Risk of project failure is created/heightened when the basis for decision-making and accountabilities between the bureaucratic and political levels are conflated.

# Conclusion

- Political and financial failures are costly and sometimes dangerous.
- Managing and mitigating risk requires a sound performance framework, evidence-based analysis, and the right people and processes.
- Attempts to offload risk through instruments and modalities can backfire; they must be assessed.
- Advice to leaders based on evidence will bridge gaps in confidence and protect elected officials and taxpayers alike.

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