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Series Article

The Fault Zones in Project Business
Project Business Management series
by Oliver Lehmann

Project Business Management [1,2]

The Fault Zones in Project Business

Oliver F. Lehmann, MSc, ACE, PMP

"Life is not about waiting for the storm to pass,
it's about learning how to dance in the rain."
Vivian Greene

Summary

A comprehensive study with 346 survey participants uncovered a surprising revelation for Project Business[3]: In smaller cross-corporate projects, issues more frequently originate within the individual organizations involved. However, in larger projects, these problem areas shift to the interfaces between the organizations. This underscores the critical importance of effective communication, collaboration, and mutual respect among the involved organizations in these projects.

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1. Conclusion: Respect Matters

As shown in more detail further below, the study revealed a surprising insight about the fault zones in Project Business: While in smaller projects, trouble more frequently originates inside the organizations involved, the fault zone shifts in larger projects to the interfaces between the organizations.
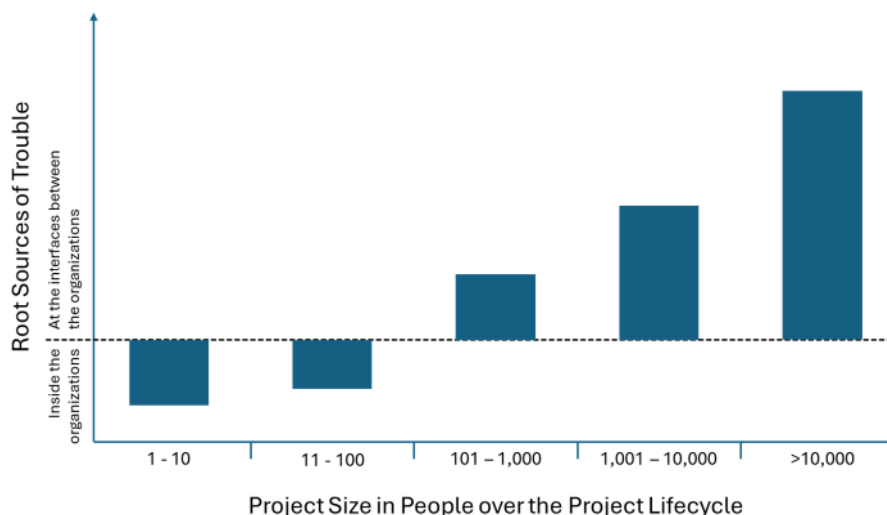

Figure 1: Root sources of trouble change over project size (see details in Figure 7)

To some degree, this is demonstrated in the realm of Project Business by the many organizations that rightly understand how careful selection of customers and contractors is key to avoiding potential issues.

Indeed, vendors and service providers sometimes opt not to engage with certain buyers if they anticipate excessive complications outweighing the potential profits. Similarly, buyers exercise caution when choosing project contractors to prevent costly disruptions to their projects and business operations.

Regrettably, however, the dynamics of success and failure at the interfaces between organizations involved are often disregarded.

Each entity possesses distinct business interests, corporate cultures, and dominant personalities, which may not always align seamlessly. Too often, this leads to small disagreements and dissatisfaction increasing and becoming worrisome for the project and the parties involved. Then, minor disputes can escalate into substantial conflicts for the project and involved parties.

It is, therefore, imperative to prioritize a more rigorous examination of the interfaces and interactions between the parties involved in the project. This should encompass a thorough exploration of the interpersonal, commercial, and legal dimensions and the risks, but also the potential for conflicts, in these areas.

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What Can Practitioners Take Home from the Study?

As the project grows in size and involves more people and organizations, it becomes increasingly critical to pay attention to the risk of trouble caused by poor respect, communications, and cooperation between the parties under contract. Indeed, embracing mutual respect and demonstrating an unwavering commitment to collaborative cross-corporate teamwork is indispensable for ensuring the success of any project and the satisfaction of all stakeholders involved, and the larger the project is, the more this will influence its success.

What about Mega Projects?

This observation may also provide an answer to a commonly discussed question: Why do so many large projects and mega-projects fail to deliver on scope, time, budget and stakeholder satisfaction? Insufficiently understood and managed business interfaces between the organizations involved provide a plausible explanation. Each party does its job, but they do not team up for the benefit of the project.

More study in this field may be helpful for the benefit of major projects.

2. The Research Question: Where Does Trouble Originate?

A Critical Question in Project Business

In a previous study, respondents identified the major reasons for conflicts in cross-corporate projects:

- Diverging Business Interests

- Diversity of cultures, legal systems, and moral compasses

- Incompatible Egos and uncooperative behavior

Now, this study addressed the question: Where do these conflicts and other sources of trouble originate? Are the fault zones in Project Business on the customer side, the contractor side, or at the interfaces between the parties involved?
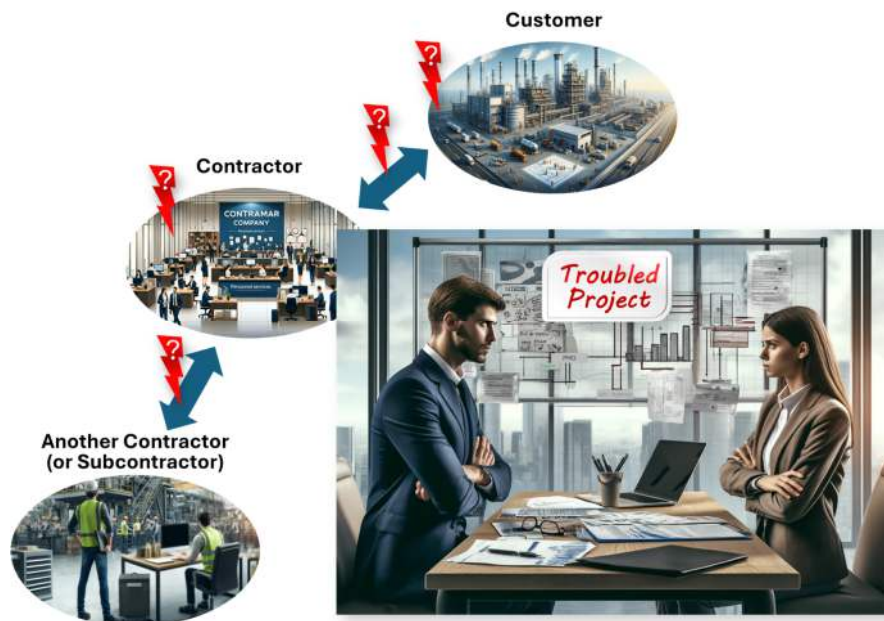
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Figure 2: Locations for fault zones in a cross-corporate project

Fault Zones in Project Business May Be...

On the Customer Side:

The project customer refers to the individual or organization that initiates the project and provides the requirements and funding. Issues originating from the project customer can include:

- **Unclear or Changing Requirements:**
  Customers may not have a clear vision of their needs or may change their requirements frequently, leading to scope creep and project delays.

- **Unrealistic Expectations:**
  Customers might have unrealistic expectations regarding the timeline, budget, or outcomes, creating pressure and potential conflicts.

- **Lack of Involvement:**
  Insufficient engagement or communication from the customer can lead to misunderstandings and misaligned objectives.

- **Financial Constraints:**
  Budget cuts or delayed payments can hinder the project's progress and cause resource shortages.

On the Contractor Side:

The project contractor is responsible for executing the project according to the customer's requirements, who is also paying the contractor. Problems related to the project contractor can include:

- **Lack of Expertise:**
  Contractors may lack the necessary skills or experience to deliver the project successfully, leading to quality issues and delays.

- **Resource Shortages:**
  Insufficient human, technological, or financial resources can impede project progress.

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- **Poor Project Management:**
  Ineffective planning, scheduling, and risk management can result in missed deadlines and cost overruns.

- **Communication Issues:**
  Inadequate communication within the contractor's team can lead to misunderstandings and errors.

At the Customer-Contractor Interface:

The interface between the customer and contractor is crucial for ensuring that both parties are aligned and working towards common goals. Problems at this interface can include:

- **Miscommunication:**
  Differences in terminology, assumptions, or expectations can lead to miscommunication and misunderstandings.

- **Contractual Disputes:**
  Disagreements over contract terms, deliverables, or performance standards can result in conflicts and delays.

- **Cultural Differences:**
  If the customer and contractor are from different cultural backgrounds, differences in business practices and communication styles can create friction.

- **Trust Issues:**
  Lack of trust can hinder collaboration and openness, leading to a defensive or adversarial relationship.

At the Interfaces between Contractors

Even small projects often involve multiple contractors working together, and the interfaces between these contractors can be a source of problems. These issues include:

- **Coordination Challenges:**
  Ensuring that all contractors are working in sync and meeting their interdependent deadlines can be challenging.

- **Conflicting Priorities:**
  Different contractors may have their own priorities and agendas, which can conflict with the overall project goals.

- **Information Silos:**
  Contractors might withhold information or fail to share important updates, leading to a lack of coordination and increased risk of errors.

- **Accountability Issues:**
  Determining responsibility for problems can be difficult when multiple contractors are involved, leading to finger-pointing and delays in resolving issues.

3. The Survey and Its Results

The survey collected responses between March 2023 and June 2024. It had 346 responses of which 338 responses were used for the study.

The participants were found on LinkedIn and through private contacts. The survey had four questions and associated answers:

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Question 1:   Typically, what is true for the projects you manage?

- My projects are **internal** and performed by the organization's employees.
- I'm in **project business**. My position is on the **customer** side.
- I'm in **project business**. My position is on the **contractor** side.
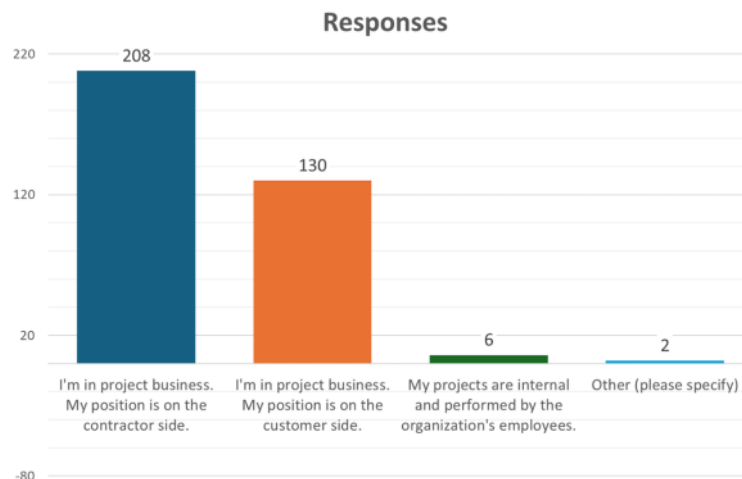- Other (please specify)

Figure 3: What kind of projects do participants manage?

Note:
Of the 346 respondents, 8 selected "internal" or "other." As they were not within the survey's target audience, their responses were not used for the study.

Question 2:   Occasionally, you may have experienced troubled projects, even crises. Where did the trouble originate from?
Please rank on a scale from 1 (most frequent) to 4 (least frequent).

Answer options to be ranked:

- The project was troubled by different business interests, cultures, etc. **between customer and contractor(s)**.
- The project was troubled by shortcomings **inside the customer** organization.
- The project was troubled by shortcomings **inside the contractor** organization(s).
- The project was troubled by differences in business interests, cultures, etc. **between contractors**.
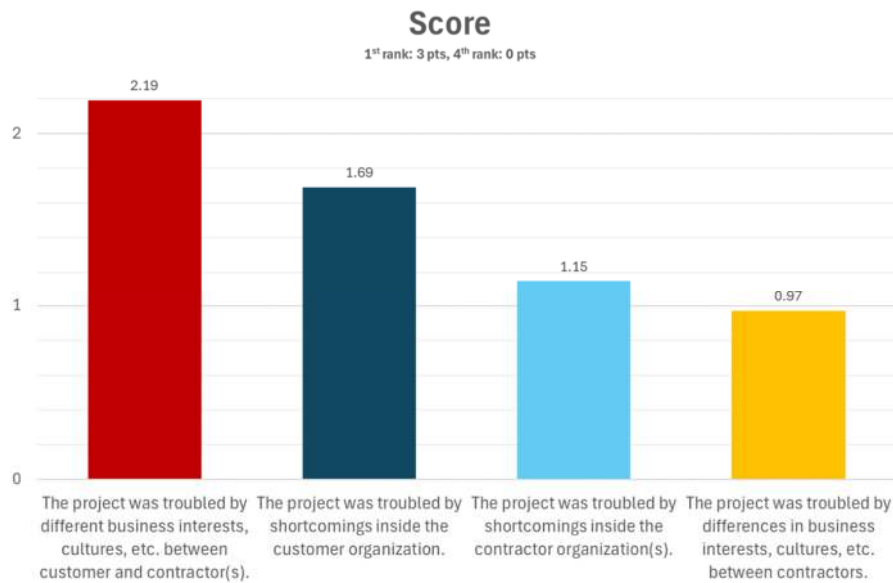
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Figure 4: Wherd did project trouble mostly originate, second mostly, etc.

Note:
Participants were instructed to rank the four answers. Each time an answer was in top position, it received 3 points, the second position received 2 points, the third position 1 point, and the last position, representing the least frequency, received zero points.

The diagram illustrates the average values of the results for each option at the conclusion of the survey.

Question 3: How many people are actively involved in your current or latest project (including customer and contractor staff) over the duration of the project?

Answer options:

- 1-10
- 11-100
- 101-1,000
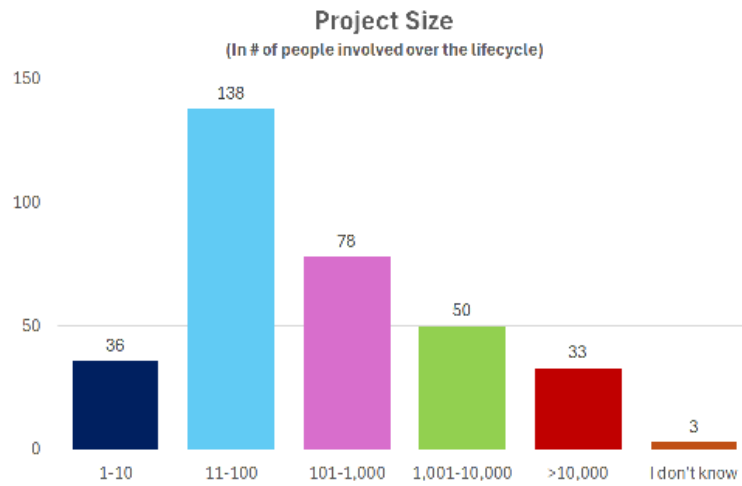- 1,001-10,000
- >10,000
- I don't know

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Figure 5: Project sizes of the study attendees

Question 4:   Please select your home region.

Answer options:

- Africa
- Asia
- Australia & New Zealand
- Europe (EU & non-EU)
- Latin America
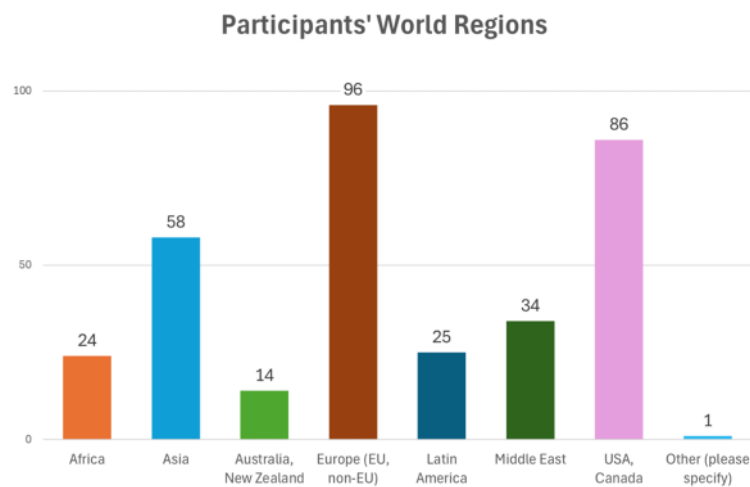- Middle East
- USA, Canada
- Other (please specify)

Figure 6: Participants' world regions

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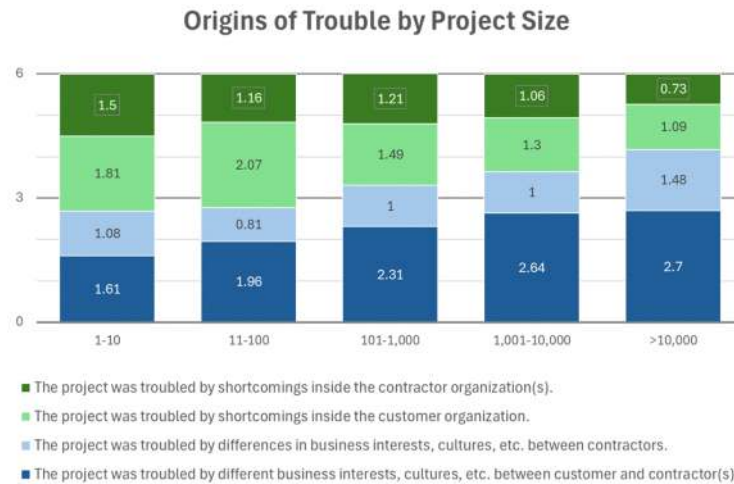by Oliver Lehmann

4. Digging Deeper

Figure 7: Origins by project size

A question that the study seeks to answer is whether the risk of trouble in Project Business is higher inside the participating organizations or at the interfaces between them. The result was surprising.

The diagram shows that the answer differs for small and large projects.

- Reportedly, in small projects with up to 100 individuals throughout their lifecycle, trouble more commonly originates within the participating organizations (green bars).
- As project size increases, the origin of issues reportedly shifts from within the participating organizations to the interfaces between them (blue bars).

Two more observations are consistent across all project sizes:

- The customer organization (light green) scores higher than the contractor organization (dark green). More trouble reportedly originates inside the buying party than in the party that delivers and serves against money.
- The customer-contractor interface (dark blue) is more critical than the interfaces between the contractors (light blue). In medium to large projects, it is the biggest source of trouble.

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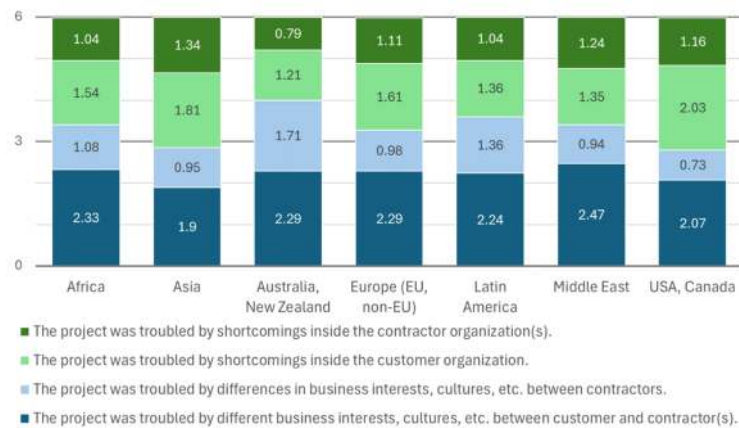by Oliver Lehmann

Figure 8: Origins by world region

The diagram confirms the two additional observations as valid for all world regions:

- The customer organizations have a higher score as a source of trouble than the contractor organizations.
- The interfaces between the contractors seem to be less problematic than the interfaces between the customer and contractor(s).

Figure 9: How different roles perceive trouble

Despite some differences in the responses by customer-side and contractor-side project managers, they also share basic perceptions:

- The customer organizations are more often the source of trouble than the contractor organizations.
- The interfaces between the customer and its contractors are more often troublesome than the interfaces between the contractors, which seem, in contrast, more 'peaceful'.
- The customer-contractor interface is the most critical factor of trouble in cross-corporate projects.

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5. Comments by Survey Participants

The study was designed to allow participants to finish the survey in under a minute. Or they could spend more time and add personal notes. Here is a selection of some of these comments:

These questions make one deeply reflect on the current process.

Thank you, Oliver. We need this information.

It's an interesting topic; would like to be a part of it & contribute in some capacity in the future.

Other than this the trouble in project business comes from incompetent team and lack of organizational structural development

Very real issue also in regard to the worldwide crises in staff, material shortage inflation, etc

Keep up the great work

It's an interesting topic; would like to be a part of it & contribute at some capacity in the future.

Very useful questions.

Thank you for illuminating the specific complexities and concerns of project business.

For #2, it was difficult to rank the 2nd and 3rd choice because issues come from both sides.

Problems are generally caused by unrealistic expectations and poor communication between customer and service provider.

Thank you for the opportunity to help the community.

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Biggest trouble and at the same time biggest risk according to my experience (over 20y of pm experience) is the achievement of the budget on contractor (our) side where a lump-sum was fixed in a contract, but there is a lot of engineering involved in the project.

The success of the project totally depends on how well both the client and contractor teams trust and support each other.

Mostly, the problem came from the contractor side due to different cultures

I observed that troubled projects are mostly due to customers with no project culture and in the absence of senior executive buy-in.

I see problems at the high level, e.g., unreasonable risk passed to contractors, also low-level issues, such as incorrect assumptions in design details.

Key contributors to project failure begin with poor business cases used to justify the project, followed by underestimating project complexity, poorly developed success criteria, and insufficient / inadequate risk management,

Scheduled tasks with no float are hard to comply with, hence generating lags...

Biggest challenge is the scope of the contract. Meaning, getting it correct for the particular NEC4 contract you are using.

Question 2 see my replies: 1. Sales stage - not paying attention to specifications and promising too much as contractor. 2. Customer - contradictory requirements and specifications, lack of understanding of his own requirements. 3. Project communication throughout the project

I have done an analysis for projects going sour and one of the prime reasons was inappropriate planning, which led to issues in delivery stage, variations, unhappy stakeholders etc.

I believe that troubled projects mostly result from lack of clarity & alignment. Clarity - of scope & expectations, leading to conflicting priorities across stakeholders. Alignment - across various stakeholders on their positions vis-a-vis the various project scope elements & context elements.

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Fundamentally, the topics in this survey have 1 major contributor, lack of clear communication.

Unclear requirements on the customer side cause most projects to fail.

As a contractor you serve the customer at their whim essentially. Typically it won't be the customer that gets fired if there are issues on the project. So as the contractor we often are victims of very POOR leadership and indecision by the customer that we then have to try to make up for.

I inherited a 'dumpster fire project' where relationships between stakeholders had deteriorated, and project creep had set in. My resolution process involved re-identifying project objectives, contractor responsibilities, agreed tasks, and timescales. This was followed by verbal recognition of task achievements before moving on to the next task, and so on.

Problems often occur in projects originating from unpreparedness in terms of planning and initiated by unpreparedness on the part of the customer, especially in the team of personnel who will be directly involved in the project.

Most problems in my current project is arising due to tech debt and the appetite of the customer for change into modern system

In my experience, most of the problems have the origin in an organization who "sells" a huge culture of Project Management when they have none. Then you have conflicts from the beginning.

There are two primary factors I recognized where trouble is triggered: 1. Customers get more and more knowledgeable about what they can request from Service Providers. Contracts get more and more detailed. Providers, on the other side, tend to commit more and more to service quality, which they know they can't deliver, just in order to close a deal. 2. At least in Germany, I recognize an IT staff shortage. This is one of the reasons why service providers, even if they want to deliver quality, have difficulties to satisfy customer needs.

Appendix: What is Project Business?

Project Business takes place when two or more organizations do a project together as customers and contractors. In Project Business, the project is no longer solely there to support a business. It is the business.

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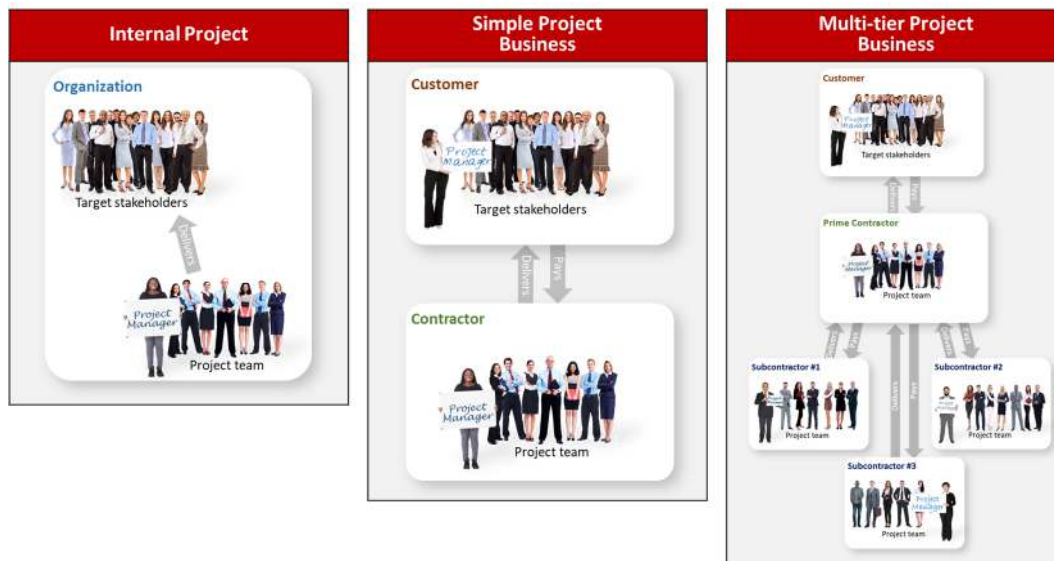Series Article   by Oliver Lehmann

Figure 10: In contrast to internal projects, where the target stakeholders of the project and its performing team are located in the same organization, Project Business is cross-corporate with two or more—often many more—organizations involved.

Project Business is different from internal, cross-functional projects. In a simple scenario, just two organizations may be involved: A customer and a contractor. In mega-projects, such as major infrastructure, aerospace and defense programs, or even Olympic games, hundreds of organizations may work together towards a common goal. Typically, these organizations build complex and dynamic multi-tier project supply networks. For most of them, the project is not a cost center but a customer project—a profit center. It must bring money home and safeguard the organization's credit line.

Many companies rely on project business as their sole source of income. As contractors, they sell project services and products against payment. Others include customer projects as a component in their proposition packages: They sell hardware, software, or ongoing services, and the project to implement these on the customer side is part of their success formula for the paying customer.

The high art of Project Business is forging the different organizations together and making them follow a common mission: The successful completion of the project. Ideally, contract parties become project partners teaming up for the benefit of each of them and for the smile on everyone's face when they have achieved a desired and distinguished result together, a result that one organization alone could not have achieved.

Project Business is not a fringe topic of project management—it's a big, global trend across all industries.

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About the Author

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Oliver F. Lehmann, MSc, ACE, PMP, is a project management educator, author, consultant, and speaker. In addition, he is the owner of the website Project Business Foundation, a non-profit think tank for professionals and organizations involved in cross-corporate project business.

He studied Linguistics, Literature, and History at the University of Stuttgart and Project Management at the University of Liverpool, UK, where he holds a Master of Science Degree (with Merit). Oliver has trained thousands of project managers in Europe, the USA, and Asia in methodological project management, focusing on certification preparation. In addition, he is a visiting lecturer at the Technical University of Munich.

He has been a member and volunteer at PMI, the Project Management Institute, since 1998 and served as the President of the PMI Southern Germany Chapter from 2013 to 2018. Between 2004 and 2006, he contributed to PMI's *PM Network* magazine, for which he provided a monthly editorial on page 1 called "Launch," analyzing troubled projects around the world.

Oliver believes in three driving forces for personal improvement in project management: formal learning, experience, and observations. He resides in Munich, Bavaria, Germany, and can be contacted at oliver@oliverlehmann.com.

Oliver Lehmann is the author of the books:

- "Situational Project Management: The Dynamics of Success and Failure" (ISBN 9781498722612), published by Auerbach / Taylor & Francis in 2016

- "Project Business Management" (ISBN 9781138197503), published by Auerbach / Taylor & Francis in 2018.

His previous articles and papers for PM World Journal can be found here:

- https://pmworldlibrary.net/authors/oliver-f-lehmann

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