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Project Failure and Stakeholders Reaction: A Review of Literature

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ABSTRACT: Effective project management requires an understanding of how stakeholders are impacted by project failure. The purpose of this study is to see the stakeholder reaction once project has failed. In order to compile this study, we have used a number literature reviews ranging from 2004 to 2023. Findings show that project failure results in significant financial losses, harms reputation, has legal ramifications, affects employee wellbeing, stifles relationships with stakeholders, stifles innovation, and endangers communities and the environment. The policymakers, practitioners and academia should focus risk factors those are associated with project failure and hance manage good harmony among the stakeholders.

KEYWORDS: Project Failure, Risk Factors, Project Management, Stakeholders Reaction

I. INTRODUCTION

Project Management Institute (PMI) has proposed a new definition of project which should be both “inclusive (it should not be possible to identify any undertaking generally thought of as a project that does not fit the definition) and exclusive (it should not be possible to describe any undertaking which satisfies the definition and is not generally thought of as a project)”. Accordingto PMI “a project is a temporary endeavor undertaken to create a unique product or service” This comprehensive report's main goal is to provide a thorough knowledge of how project failures affect stakeholders. It aims to shed light on the subtleties of these effects while emphasizing the crucial role that proactive risk management and strong project governance play in avoiding negative outcomes.

A project's success or failure has effects that go well beyond the boardrooms and project management offices where it is planned and carried out. Projects are complex endeavors that involve a large number of stakeholders, each with vested interests, whether they are related to infrastructure development, technical developments, or organizational transformations. Beyond the limits of industries, geographies, and economies, it is of utmost importance to comprehend the effects of project failure on stakeholders. It is a space where the interplay of economic effects, reputational harm, legal ramifications, impacts on employee well-being, stakeholder relationships, innovation and growth, and community and environmental effects reshapes the landscape of organizations, communities, and countries.

The effects of project failure on stakeholders manifest themselves on a global stage. The effects of a project failure in one area of the world are felt in other parts of the world because of how linked today's world is, as supply chains cross continents and investments cross borders. Global financial markets react to company failures, investors on different continents endure the burden of value deterioration, and global corporations' reputations are on the line. International best practices in project management and risk mitigation are necessary because of the wide-ranging legal repercussions and the widespread effects of poorly managed projects on stakeholders worldwide. The effects of project failures are a subject of greater concern in the context of Bangladesh, adeveloping economy with a rising portfolio of infrastructure projects. Bangladesh, a country on a path of rapid progress, must balance the risks and benefits of transformational initiatives that couldimprove the standard of living for its people. But as the stakes increase, so do the negative effectsof failing. Stakeholders in Bangladesh, including investors, organizations from the public and private sectors, communities, and individuals, struggle with the complex effects of failed projects. Understanding the regional subtleties and ramifications of project failure is not only a theoretical

Exercise but a real necessity in a nation where economic growth and infrastructure development are of utmost importance. The structure of this report comprises an exhaustive literature review, a meticulous account of the methodology employed for the review, an in-depth analysis of findings, and a conclusion that proffers practical recommendations for stakeholders and organizations alike.

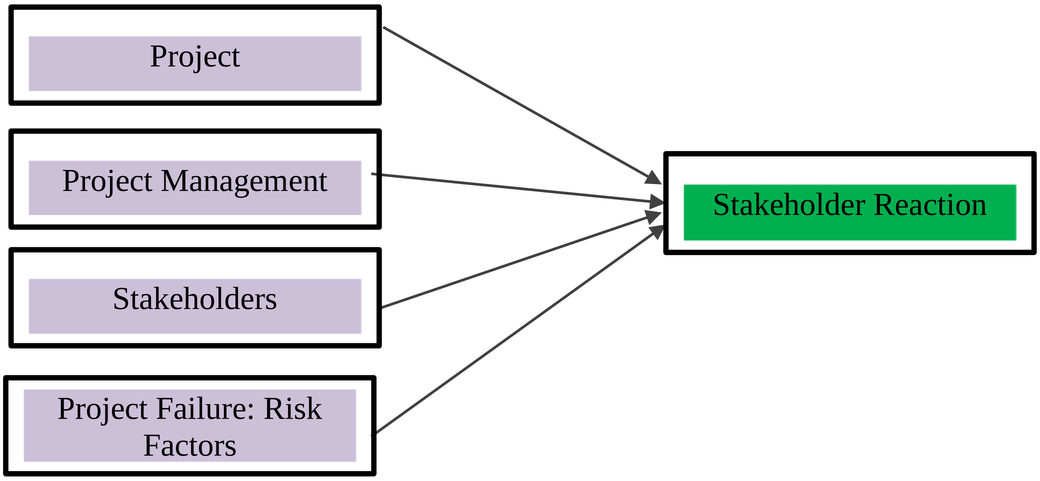

Figure 1: Conceptual Framework for Project Failure and Stakeholder Reaction

What is Project?

A project is a collection of actions that must be performed within a certain time frame in order to achieve a specific set of goals. These tasks are completed by a group of people known as the project team, which is led by a project manager, who oversees the planning, scheduling, tracking and successful completion of projects. A project is defined as a sequence of tasks that must be completed to attain a certain outcome. According to the Project Management Institute (PMI), the term Project refers “to any temporary endeavor with a definite beginning and end”. Depending on its complexity, it can be managed by a single person or hundreds. A project is a short-term and focused effort with a specified beginning and end goal that is carried out to attain a single or set of goals. It entails a series of actions, activities, and processes that convert inputs into desired outputs. Projects are conducted to meet a specific need, problem, opportunity, or objective while adhering to time, money, scope, quality, and resource restrictions.

What is Project Management?

Project management is the application of processes, methods, skills, knowledge and experience to achieve specific project objectives according to the project acceptance criteria within agreed parameters. Project management has final deliverables that are constrained to a finite timescale and budget. A key factor that distinguishes project management from just 'management' is that it has this final deliverable and a finite timespan, unlike management which is an ongoing process. Because of this a project professional needs a wide range of skills; often technical skills, and certainly people management skills and good business awareness.

Project management is a process that allows project managers to plan, execute, track and complete projects with the help of a project team. To do so, they must use project management principles, skills, methodologies and tools to lead team members through each of the project management steps which are known as the project lifecycle. Project management is the use of specific knowledge, skills, tools and techniques to deliver something of value to people. The development of software for an improved business process, the construction of a building, the relief effort after a natural disaster, the expansion of sales into a new geographic market—these are all examples of projects. The article "Stakeholder Impact Analysis in Construction Project Management" provides a method for project stakeholder analysis, based on theory, stakeholder management knowledge, and empirical data. It emphasizes the importance of considering stakeholders' impact on construction projects and provides a framework for identifying, assessing, and managing stakeholder relationships. The article concludes that stakeholder impact analysis is crucial for project management teams to maximize positive input and minimize claims (Stefan Olander, 2007).

The article explores the role of supportive leadership in helping employees manage negative emotions after a major entrepreneurial project failure, thereby enhancing job satisfaction and performance. The authors contend that supportive leadership can reduce the intensity of recalled unpleasant feelings, which can impair productivity and job satisfaction. They also stress the significance of time in forming opinions about previous professional experiences and their possible impact on future job performance (Patzelt Holger, Gartzia Leire, Wolfe Marcus, Shepherd Dean, 2021)

What is Project Failure?
A project becomes a failure when it does not deliver what was required within the agreed-upon budget and time. However, in most cases, the stakeholders decide if the project was a success or a failure based on their judgment and satisfaction with the outcome. A project that at first appears to be a success can also be considered a failure after the fact, if it fails to meet projected ROI targets. Simply, Project failure is when a planned project doesn't achieve what it was supposed to do, like finishing on time, staying within budget, or delivering the expected results. It's like when things don't go as planned and the project doesn't succeed in its goals. The risk factors for project failure are poor communication, lack of planning, lack of monitoring and controlling, stakeholders, poorly assigned roles, unrealistic expectation. All above mentioned reasons are the most significantly influence the project failure. All the factors are needed to be given equal importance to be success in the project. Specially those who concern about the project, they should be more proactive solving the issue.

The article describes a study that revealed that managing challenges in Public-Private Partnership (PPP) projects requires good stakeholder interaction. Stakeholders should be monitored throughout the course of the project, notwithstanding the possibility that monitoring them more closely could cause more problems. To explore the causal connection between problems and stakeholder management practices, the essay advises additional research. The study is limited to the Australian context. (Jayasuriya Sajani, Zhang Guomin & Yang Rebecca J., 2020, Australia)

Stakeholders and Their Reaction Once Project Failed : When a project fails, stakeholders, or persons or groups affected by the project, might react in various ways based on their interests, expectations, and the impact of the failure. Reaction of stakeholders such as disappointment and frustration: Stakeholders may feel let down and frustrated if the project's failure affects their interests, investments, or expectations. Financial Loss or Concerns: Investors and financial stakeholders may experience financial losses or concerns about the return on their investments due to project failure. Loss of Confidence: Stakeholders may lose confidence in the project team, project management, or the organization's ability to deliver future projects successfully. Reevaluation of Partnerships or Contracts: Stakeholders, especially external partners or clients, may reconsider their relationships, contracts, or agreements with the organization due to the failed project. Negative Public Image: The organization's public image and reputation can suffer, impacting stakeholder trust, investor confidence, and customer loyalty. Legal Actions and Disputes: Depending on the severity and implications of the failure, stakeholders might resort to legal actions, claims, or disputes seeking compensation or resolution.

The case study of the LAMP-H project is used effectively to illustrate the potential consequences of poor stakeholder management and the importance of effective communication and collaboration among project stakeholders. The case study provides practical lessons learned from the LAMP-H project failure that can be applied to future project management practices (J. Scott Sutterfield, Shawnta, Friday-stroud & Shery Shivers-Blackwell, 2006). The article emphasizes the importance of stakeholder management in projects, highlighting the need for early engagement to understand and address their needs. It also discusses strategies for managing uncertainty, including risk identification, assessment, mitigation, scenario planning, and contingency planning. The article also emphasizes proactive issue resolution, advising project managers to anticipate and address potential issues related to variations, payment, claims, and defects liability (Stephen Ward, Chris Chapman, 2008; Wu, Tsai, & Lei, 2023) The article discusses the importance of identifying and measuring the potential influence and impact of stakeholders in a project. The authors propose the stakeholder-circle tool as a way to visualize stakeholder influence and priorities key stakeholders. The paper is theoretical in nature and proposes a way for project managers to improve project-management performance. The authors provide observations and future papers will provide case study examples of the use of this

II. CONCLUSION

The extensive and varied repercussions of project failure on stakeholders are highlighted in this paper, highlighting the crucial importance of proactive risk management, efficient project governance, and open communication in preventing these negative outcomes. In the context of project management, organizations must prioritize stakeholder interests in order to increase the possibility of project success and safeguard their reputation.

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