Motivating Managers to Kill Futile Projects

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INTRODUCTION

Project failure is a well-known phenomenon to many organizations and has been a topic of great interest in academic literature. A KPMG Canadian study showed that "87% of projects exceed schedule, 56% overran budgets, and 45% did not achieve planned benefits" (KPMG, 1997 as cited in Diltz & Pence, 2006; 379). Project failure is certainly no stranger to the I(C)T sector, with much debate on how many IT project actually fail and how much these failures cost.

There are numerous examples of projects that failed even when there were clear warning signs; the Space Shuttle disaster (Frese & Sauter, 2003), Boston's Big Dig construction project (Dahl, 2001) or the Airbus A380 project (Catalogue of Catastrophe, 2013). All were projects that should have been canceled. The Airbus A380 project, for example, illustrates this. One of the biggest challenges was the complex wiring system needed to operate the aircraft. At one point in the project it was discovered that the wires (manufactured to specification) were too short. With the 530 kilometers of wiring needed, this was a huge problem. The problem had been caused by the "fact that the different design groups working on the project had used different Computer Aided Design (CAD) software to create the engineering drawings … German and Spanish designers had used one version of the software (CATIA version 4), while British and French teams had upgraded to version 5" (idem). This problem led to design inconsistencies and mismatched calculations, which had significant implications. Chief salesman for Airbus at the time, John Leahy, commented that "people were in denial" (Clark, 2006). This denial led not only to a few years delay, but it cost Airbus a whopping 6,1 billion dollars extra. All consequences of the decision to continue the project despite the fact that two different CAD systems were in use. The Airbus A380 project, as one of many, shows how important it is to discuss how these situations can be improved.

Previous literature has written extensively on reasons why projects aren't killed and what some of the early warning signs are (Sleesman et al., 2012; Keil & Robey, 2001) but has scarcely addressed how managers can be motivated to kill futile projects. This article aims to fill this gap by focusing on how managers, also referred to as decision makers, can be motivated to kill futile projects. Specifically, the following overarching research question will be addressed:

What organizational forms and incentive structures can be used to motivate managers to kill futile projects?

This question will be explored through several steps. First of all the definition of 'futile project' will be established. After this, a review of previous literature will address why managers don't kill futile projects. Due to the lack of literature on what organizational forms and incentive structures can be used to motivate managers to kill futile projects, it is important to explore why managers don't kill futile projects in the first place. Knowing this, this article can explain how and which organizational forms and incentive structures can motivate or demotivate managers to kill futile projects.

BACKGROUND

In previous literature 'futile project' is not a familiar term. Instead, terms like "runaway project" (Keil & Robey, 2001), "escalating project" (Keil & Robey, 2001), "throwing good money after bad (Sleesman et al. 2012) or even 'failed' or 'failing project' are used. They all, however, describe the same type of project: a project that *should* be cancelled, a pointless project that has "no hope of fulfilling its original objectives" (Dilts & Pence, 2006, p. 380). These type of projects often aren't terminated, even though there are compelling reasons to do so. The responsibility of termination often falls upon the manager. A peculiar thing, Dilts

& Pence (2006) argue: "while decisions to terminate a project concern the total organization, these decisions are still made by individuals" (380). Managers, however, often fail to make this decision.

There is an important relationship with Albert Bandura's theory on self-efficacy. Self-efficacy is defined as one's belief in one's own ability to succeed in specific situations and can greatly influence the way in which individuals deal with goals and challenges. Bandura's theory is central to the concept of social cognitive theory. With self-efficacy, behavior where challenges are not avoided is stimulated. This article will argue that certain incentives and organizational structures can contribute to creating an environment where self-efficacy is encouraged and managers feel more comfortable to (learn to) make hard decisions like identifying and killing futile projects.

MAIN FOCUS OF THE ARTICLE

Why Managers Don't Kill Futile Projects: Escalation of Commitment

Continuing a futile project has been coined in academic literature as escalation of commitment: "the continued commitment in the face of negative information about prior resource allocations coupled with 'uncertainty surrounding the likelihood of goal attainment'" (Keil, 1995, p. 422). In other words, even when there are clear warning signs telling the manager that the project is not going to reach its goal(s), the manager does not discontinue the project. The manager's commitment to the project is even strengthened (it escalates). This is also referred to as "bias in managers' belief about the likelihood that the product will succeed" (Simester & Zhang, 2010; 1161), where "the manager places too much reliance on initial beliefs and gives too little weight on negative information" (ibid). This "can explain why managers make inefficient decisions, including their reluctance to kill bad products" (idem, p. 1162).

After much academic debate on how to explain escalation researchers argue that escalation can only be explained more completely by invoking several theoretical perspectives on several levels (Brockner, 1992). This article adopts this view by using Sleesman et al.'s (2012) quantitative summary of these perspectives. They categorize the reasons for the occurrence of escalation of commitment into four main categories; project, psychological, social and structural determinants.

Project determinants are characterized as "objective features of decisions that often relate to why a course of action as begun in the first place" (Sleesman et al., 2012, p. 542). This determinant will not be explored in detail, and the focus will be on the other determinants. Although project determinants are important they are often ignored when commitment escalates, as managers neglect to look at the objective information needed to make the decision to cancel a project (Royer, 2003). This tendency is often caused by psychological and social determinants.

Psychological Determinants

Psychological determinants "recognize that decision makers engage in cognitive and affective processing of information that often leads them to redouble their commitment to failing projects, rather than de-escalate" (Sleesman et al., 2012, p. 544). This process attempts to deal with the pressure associated with troubled projects. Killing futile projects is more often than not seen as 'whistle blowing', which still has extremely negative connotations in the workplace (Keil & Robey, 2001). There is often significant fear for the negative impact on, for example, career progress if project managers were to be associated with a failed project. This shows that psychological determinants occur and that emotions cannot be ignored. This is supported by Bandura (1988) who states that emotional reactions to situations also play an important role in self-efficacy. Managers with weak self-efficacy would be more likely to display avoidance behavior. To stimulate self-efficacy and the expected behavior (killing futile projects) and to decrease fear for negative repercussions, psychological determinants should be counteracted with appropriate incentives and structures.

There are three main theories described within the concept of psychological determinants, as shown and defined in Figure 1.

Sleesman et al. (2012) list several variables within psychological determinants that are trap doors for decision makers and thus important to emphasize. Ego threat, for example, describes the decision maker's concern over their reputation. This is often triggered when there are negative consequences tied to project 'failure', or when this is heavily frowned upon within a company and its culture. To protect their ego, decision

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