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Can the Olympic project succeed in the face of promises that may be impossible to keep?

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Project Management Lesson from Freddie Mac and Fannie May

The concept behind Freddie Mac and Fannie May is simple. They buy mortgages from banks, keep some of them, and package the rest into collections of mortgages which are then sold as mortgage backed securities.

Since these loans and securities have been unofficially backed by the government and its taxpayers, it has been assumed that they were safe investments. In other words, the stock in both of these companies was as close to a government backed security as you could get. Then in July the

unthinkable happened. Plagued by the collapse in the housing market the stock in both companies tumbled. The lender of last resort, the government, did step in on July 13th and prevented an unraveling of the financial system in the US and perhaps the world.

How did this happen? And are there lessons here for project managers?

In almost every failed project there are several biases that become clear to outsiders but are hidden or denied by insiders. Here the finger

can point at selective perception and political influence. Selective perception occurs when decision makers or project managers maintain a view of the world that satisfies their own needs while sacrificing the needs of the project. Jim Leach, a former Republican representative from Iowa, put it a different way. He said that both of these companies were insulated from the real world. Contributing to the layers of insulation, according to the New York Times, were lobbying efforts and campaign contributions. Continued

Olympic Risks and Ambitious Project Scope

In a few weeks the Olympic games begin in Beijing.

It's been a project with more than the usual risks. One that we haven't seen before is that many athletes are worried about the effect of pollution on their ability to perform.

Beijing happens to be one of the most polluted cities in the world. Chinese

officials plan to close factories and limit the number of cars on the road but many experts maintain that this will still not make enough of a difference to clean the air.

When the Olympic contract was awarded Beijing promised that the problem would be solved in time for the games. But the magnitude of the problem suggests the

scope of the promise was unrealistic.

Can Beijing clean up their act, or is this another project with a scope so ambitious that it cannot be delivered?

The athletes are taking no chances. Many are training in other countries and will fly into Beijing at the last moment.

Freddie Mac and Fannie MayContinued

And when you are insulated you can ignore real world data or interpret new data in any way you want.

The system worked. The New York Times on 7/13/08 contended that "as Freddie and Fannie grew, so did the fortunes of Wall Street, which reaped rich fees from issuing debt for the two companies, as well as the mortgage and housing industries, which banked billions of dollars as the housing market" boomed." Countless warnings, however, went unheeded.

Selective perception can

only work in the short run. But as those who have managed failed projects learn, the real world has its own way of eventually breaking through.

Microsoft tried to ignore the problems with the Xbox. Merck tried to ignore the problems with Vioxx, and Denver tried to ignore the problems with their baggage handling system.

So selective perception can be ignored for a while but it eventually takes its toll.

Here's the challenge. Those who study

organization psychology claim that selective perception is not uncommon in business decisions.

So what do we do? First, it is important not to dismiss disconfirming data. Keeping your eyes and mind open is key. Ignore at your own peril.

Second, pressure from outside sources needs to be addressed. If the pressure is likely to derail the project then you must do your best to negotiate a solution that will preserve the integrity of the project.

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Featured Project of the Month

Apple's iPhone 3G went on sale July 11, 2008. Lines extended around the block as customers bought their first iPhone or replaced their old phones to try the new technology.

But one fatal flaw upset the long awaited product. It seems that to ensure that users did not buy the phones and modify them to work on another network, they were required to register the phones using the network accessible from inside the Apple and AT&T stores, where they purchased the product. In addition owners of the older iPhones needed to log onto the system to upgrade their software. It was estimated that about 6 million old and new users were affected.

Well its not hard to imagine that after the publicity surrounding the

introduction of this product demand was much greater than anticipated and the company's servers were incapable of handling the registration and upgrade requests.

The marketing project was too successful; stores were sold out by Friday afternoon! But iPhone customers, anxious to use their phones, were not very pleased.

Sounds similar to the problems at the opening of the new terminal at Heathrow airport last month when the information system was incapable of handling the baggage load.

Do these failures suggest that in the haste to get these products to market, testing and implementation are shortchanged?

Maybe yes or maybe no.

In the rush to be the first to the market companies may be quite willing to take the risk that some unforeseen events, capable of derailing product introductions, can occur.

Given that it may take several additional months to ensure that there are no surprises, it might indeed make sense to introduce a product early and expect to move quickly if problems do occur.

Now, two weeks after the product introduction, the uproar has ceased. Meanwhile, Apple has received considerable publicity. So in this case the risk of early introduction may have been a reasonable strategy.