Effects of Project Failure Towards Stakeholders: A Review of Literature

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Abstract

Effective project management requires an understanding of how stakeholders are impacted by project failure. It draws attention to the effects on those involve finances, reputations, and emotions, assisting organizations in risk avoidance and fostering stakeholder satisfaction, trust, and long-term success. The purpose of this study is to provide proactive risk management, stakeholder involvement, and project result strategies. In order to compile this study, we have used a number literature reviews ranging from 2004 to 2023. The study's 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. By Adopting proactive risk management, strong governance, open communication, employee support, stakeholder involvement, strategic resource allocation, and social and environmental responsibility to reduce these negative effects and achieve sustainable project outcomes. The policymakers, practitioners and academia should focus risk factors those are associated with the project failure and hance manage a good harmony among the stakeholders.

Keywords: Project Failure, Stakeholders, Risk Factors, Project Management

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1. 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)”. According to 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, a developing 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 could improve the standard of living for its people. But as the stakes increase, so do the negative effects of 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.

2. Literature Review

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)

According to Gali, Zarewa (2019), effective stakeholder management in Nigeria's Multifarious Infrastructure Projects (MIPs). It identifies 39 barriers, including political, economic, social, technological, legal, and environmental. The most significant issues are inadequate stakeholder engagement, trust, communication, participation, and identification. The study recommends prioritizing these and developing a comprehensive stakeholder management plan.

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 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 tool. Overall, the article provides valuable insights into stakeholder management and the use of tools to improve project success (Lynda Bourne, Derek H.T. Walker, 2005)

The article discusses the importance of project stakeholder management in Pakistan's construction industry. It identifies the key stakeholders, their relationships, and success factors for effective management. The study reveals that understanding stakeholders' needs, building trust, and communicating regularly are the top three factors contributing to stakeholder success. It also highlights the need for accurate identification, analysis of conflicts, and prediction of stakeholder influence. The article provides recommendations for project professionals to manage stakeholders effectively, including social responsibilities, stakeholder profiling, effective communication, minimizing conflicts, and devising strategies to manage stakeholders amicably. The findings have significant implications for developing countries (S. Nauman, M.S.S. Piracha, 2016)

The study focuses on a WASH project in Rwanda and highlights the positive influence of stakeholder involvement in project execution and review on project outcomes. The study recommends that stakeholders be involved in all stages of the project and concludes that stakeholder involvement is crucial for the success of WASH projects. Overall, the article emphasizes the importance of stakeholder engagement in project management and provides insights into the role of stakeholders in the success of WASH projects (Joseph Mung'atu, 2017).

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)

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)

The paper investigates how regulation and the gray economy affect entrepreneurship productivity. It demonstrates how the size of the informal sector has a detrimental impact on the productivity of entrepreneurship. The authors contend that when cognitive and normative institutions support informal economic activities, enhancing governance quality may reduce entrepreneurial productivity. Additionally, they argue that the condition of informal institutions affects the effects of creating regulative institutions on entrepreneurship (Fredstrom Ashkan, Peltonen Juhana, Wincent Joakim, 2021)

In Pakistan's IT sector, the article emphasizes how the Agile methodology has a beneficial effect on project success, with techniques like continuous integration, frequent testing, and client interaction resulting in higher success rates. Additionally, it implies that job fit moderates this association, emphasizing the need for further study on the effects of Agile approach on various projects and cultural contexts (Wafa Rubab, Khan Muhammad Qasim, Fazal Malik, Abdusalomov Akmalbek Bobomirzaevich, Cho Young Im, and Odarchenko Roman, 2022, Pakistan).

The paper emphasizes the value of FDI inflow and trade openness in transferring international risks in international public-private partnership (PPP) projects. It underlines the necessity of constant knowledge of prospective dangers as well as the government's involvement in managing external risks. Additionally, it advises that prior to putting PPP models into place, governments should assess their level of competence and capacity for risk management. In order to provide sustainable results, PPP development must be approached in a balanced manner, taking both benefits and dangers into account (Li Zilin, Wang Haotian, 2023). Table 1 states the summary of literature review.

Table 1: Summary of the Literature Review

Author (s)	Objective	Findings
Sutterfield, J. S., Friday-Stroud, S. S., & Shivers-Blackwell, S. L. (2006)	To review of stakeholder theory in project management To discuss the Lighter Amphibian Heavy-Lift (LAMP-H) Project	Effective stakeholder management, clear project vision, and a project champion for successful outcomes. The need for inflated requirements, intra-organizational conflict, and effective risk management to address potential challenges and ensure the project's success, especially in military projects.

Ward, S., & Chapman, C. (2008).	To guide project managers in managing stakeholders and uncertaintyin project management.	Necessitating effective management andstrategies like risk identification, assessment, mitigation, scenario planning, and contingency planning. It provides guidance on variations, payment arrangements, defects liability, and defects liability, ensuring successful project completion. It emphasizes effective communication, stakeholder management, and proactive issue resolution.
Zarewa, G. A. (2019), Nigeria	To find out the challenges faced by project managers handling project	The study identifies 39 barriers to effective stakeholder management in Nigeria's multifarious infrastructure projects, grouped into six categories: political, economic, social, technological, legal, and environmental. The most significant barriers are inadequate stakeholder engagement, trust, communication, participation, and identification. The Relative Importance Index (RII) approach ranks these barriers. Project managers should prioritize engagement, communication, and participation to improve project delivery.

Olander, S. (2007).	To identify and analyses stakeholder impact analysis method	It highlights the need for project management teams to identify and analyze stakeholders who can influence project decisions, maximize positive input, minimize claims, and develop strategies to manage stakeholder relationships. The process should be iterative and ongoing throughout the project lifecycle, ensuring effective stakeholder management.
Nauman, S., & Piracha, M. S. S. (2016).	To identify and measure stakeholder influence in a project, arguing that project managers should engage more effectively with hidden power reservoirs in social networks.	It emphasizes the importance of analytical and intuitive skills for effective project managers. The tool visualizes stakeholder influence, which can significantly impact a project's success or failure. The authors conclude with observations and future case study examples.
Kobusingye, B. E. R. N. A. D. E. T. T. E., Mungatu, J. K., & Mulyungi, P. (2017), Pakistan	Aiming to manage the project along with management of the stakeholders To find out the key factors that effects project outcome	

		identifies three key factors for successful management: understanding stakeholders' needs, building trust, and communicating regularly. the study also highlights the importance of identifying stakeholders, analyzing conflicts, and accurately predicting stakeholder influence. These findings have implications for effective stakeholder management in developing countries.
Bourne, L., & Walker, D. H. (2005), Rwanda	The general objectives is to evaluate the influence of stakeholders' involvement on project Outcome. The specific objective is to determine the influence of stakeholders' involvement in project identification on WASH project outcomes.	The study found that not all key stakeholders were involved in the first two stages of the project,which are project Identification and planning. The study also found that stakeholder involvement in project execution and review had a positive influence on project outcomes. The study concludes that stakeholder involvement is crucial for the success of WASH projects and recommends that stakeholders be involved in all stages of the project.

Sajani Jayasuriya Guomin Zhang Rebecca J. Yan (2020)	To investigate the influence of stakeholder management strategies on resolving issues in Public-Private Partnership (PPP) projects. To identify effective strategies to mitigate issues and analyze their correlation with project outcomes. To find out key stakeholders and their interests, while addressing the challenges and complexities of stakeholder management in PPP projects.	Continuous monitoring throughout the project life cycle is the most important. It identifies several effective management strategies, including early identification, communication, and collaboration, which significantly impact project outcomes like success, satisfaction, and trust.
Holger Patzelt Leire Gartzia Marcus T. Wolfe Dean A. Shepherd (2021)	The research investigates how supportive leadership can help employees cope with negative emotions after a major entrepreneurial project failure, thereby improving job satisfaction and performance. It examines how leadership behaviors aid in recovery and the impact of time since the last failure. The study uses affective events theory and literature on innovative leadership to understand the role of leadership in managing negative emotions.	The study reveals that supportive leadership can moderate the impact of negative emotions on employees' job satisfaction and performance. It supports the indirect relationship between negative emotions, job satisfaction, and performance. The authors also emphasize the role of time in shaping judgments about past work events and how these can influence job performance. Despite the small sample size, the theoretical model fits the data well, providing strong support for the findings.
Ashkan Fredstrom, Juhana Peltonen, Joakim Wincent. (2021)	The research explores the impact of the informal economy and regulation on entrepreneurship productivity, focusing on the size and extent of governance quality in the informal economy. It investigates how these factors influence opportunity-to-	The study reveals that the informal economy's size negatively impacts entrepreneurship productivity, and improving governance quality can decrease it when cognitive and normative institutions accept informal business activities. The

	necessity entrepreneurship and provides implications for policymakers promoting formal entrepreneurship.	authors suggest policymakers consider governance quality and informal business culture when deciding appropriate actions. They also challenge the literature on developing regulative institutions, stating that their effects depend on the country's informal institutions.
Rubab Wafa Muhammad Qasim Khan Fazal Malik Akmalbek Bobomirzaevich Abdusalomov Young Im Cho Roman Odarchenko (2022)	The research investigates the impact of Agile methodology on project success in Pakistan's IT industry, focusing on job fit as a mediator. It aims to identify effective Agile practices and factors contributing to good job fit, providing insights for IT professionals and software development companies to improve project success rates.	The research reveals that Agile methodology positively impacts project success in Pakistan's IT industry, with practices like continuous integration, frequent testing, and customer involvement leading to higher success rates. Job fit moderates this relationship, with a good fit resulting in higher success rates. This highlights the importance of job fit in achieving successful software projects.
Zilin Li Haotian Wang (2023)	The article investigates the risk factors affecting global public-private partnership (PPP) projects from a stakeholder perspective. It identifies global risks and provides policy recommendations to improve resilience. The article also addresses the economic and financial sustainability of PPP projects, contributing to both practical and academic spheres.	The article highlights the key risk factors affecting the sustainability of global public-private partnership (PPP) projects. These include political, financial, legal, and operational risks. The government plays a crucial role in managing external risks, while trade openness and FDI inflow are essential for transmitting global risks. The correlation of financial stress across countries has increased over the past four decades, highlighting the need for vigilant government and investor awareness of potential risks. Governments should evaluate their

		expertise and risk management capacity before implementing PPP models. A balanced approach to PPP development is essential for achieving sustainable outcomes.

3. Methodology

This study is based on the secondary sources. The literature review was conducted with a rigorous and systematic approach. A wide array of pertinent academic databases, including Google Scholar were meticulously scrutinized for articles spanning the years 2004 to 2023. The search encompassed an extensive lexicon of keywords, such as "project failure," "stakeholders," "financial implications," "reputation damage," "legal consequences," "barriers to effective stakeholder management," "stakeholder relationships," "innovation and growth," and "community and environmental impact."

The publications were chosen in accordance with strict inclusion criteria, with an emphasis on factual data and case studies that explored the effects of project failure on stakeholders. Literature that was solely concerned with project success and made no mention of failure was carefully disregarded. The final dataset was made up of a sizable corpus of 8 reports.

4. Findings and Analysis

The findings and analysis section disseminates the most salient insights gleaned from the exhaustive literature review:

1. **Financial Impact:** When projects fail, it often means losing money for people like investors, company owners, and workers. This happens because of things like spending too much, wasting resources, or getting fined for not meeting agreements.
2. **Reputation Damage:** Stakeholders, like companies, can look bad when their projects fail. This can make people not trust them or think they're not reliable, which isn't good for business.
3. **Employee Morale:** People working on a project that fails can feel really down. They might worry about losing their jobs, feel stressed, and think their hard work was for nothing.
4. **Legal and Regulatory Consequences**: Sometimes, if a project goes wrong, there can be legal problems. This might lead to going to court, following rules better, and paying fines.
5. **Customer Dissatisfaction:** If a project fails, the people using its results might not be happy. They could face delays, get something that doesn't work well, or have to spend extra money to fix things.

6. **Supply Chain Disruptions:** Companies that help with a project might also have problems if it fails. They could experience delays, lose money, and harm their relationships with other businesses.
7. **Falling Behind:** Companies or groups that fail in their projects might lose their edge in the market. This can allow competitors to get ahead.

8. **Project Management Improvements**: Some experts say that failing at a project can actually help you learn. It shows you what went wrong so you can do better next time.
9. **Risk Management:** Many experts talk about how important it is to plan for problems in advance. This way, if something goes wrong, you can handle it better and not have as many issues.
10. **Communication and Transparency:** It's really important to keep talking to everyone involved in a project. Sharing information about how things are going and any problems that come up can help reduce the bad effects of a project failure.

5. Conclusion and Recommendation

5.1. 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.

5.2. Recommendations

Constructed upon the edifice of empirical findings, this report proffers a compendium of pragmatic recommendations:

Proactive Risk Management: Organizations should put a lot of effort into developing strong risk management procedures that allow for the quick detection and mitigation of potential project failures.

Effective Project Governance: To guarantee that projects are closely watched and managed, strict adherence to efficient project governance frameworks and processes is essential.

Transparent Communication: Throughout the project lifecycle, organizations must promote a culture of open and transparent communication with stakeholders, paying particular attention to times when failures have occurred.

Investment in Employee Well-being: It is crucial to recognize how project failures affect employees' wellbeing. Companies need to take proactive measures to solve this by putting in place support programs and making sure there is open, considerate communication.

Stakeholder Engagement: In order to be resilient against project failures and to establish an atmosphere that is favorable for both parties' growth, it is essential to strengthen connections with stakeholders, including partners, suppliers, and collaborators.

Resource Allocation for Innovation: Strategic resource allocation is necessary to achieve a fair balance between initiatives for innovation and growth and requirements for risk management.

Community and Environment Responsibility: Organizations should demonstrate an uncompromising dedication to environmental sustainability and safety, limiting the negative effects on communities and ecosystems as a result.

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