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Root Causes of Hotel Opening Delays in Greater China

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Root Causes of Hotel Opening Delays in Greater China

Abstract

China's massive program of hotel construction has opened hundreds of properties with thousands of rooms—an unprecedented accomplishment that is projected to continue for the next two decades. The available development pipeline data indicate that at least three 150-plus-room hotels will be opened in China every day for the next 25 years. Because such a rate of hotel growth has never been seen before, the methods used to open these hotels must be focused and methodical. Given that many of these planned hotel openings have encountered delays, this report analyzes the nature and causes of these delays. Interviews of 81 professionals working at 15 hotel chains were assessed using Causal Chain Analysis. This process revealed a large set of proximate causes for those delays, including last-minute design changes, delays in appointing a contractor, and failure to acquire necessary permits. Deeper analysis of these causes revealed that a lack of understanding and adaptation of project management concepts and techniques were the root causes of these issues. As a consequence, this report recommends that major hotel management companies need to strengthen their project management capabilities if they hope to meet their ambitious China growth targets.

Keywords

hotels, China, opening delays, development, Causal Chain Analysis

Disciplines

Business | Hospitality Administration and Management

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Root Causes of Hotel Opening Delays in China

by Gert Noordzy, MBA, CAPM, and Richard Whitfield, Ph.D.

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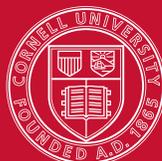
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Root Causes of Hotel Opening Delays in Greater China

Gert Noordzy and Richard Whitfield

EXECUTIVE SUMMARY

China's massive program of hotel construction has opened hundreds of properties with thousands of rooms—an unprecedented accomplishment that is projected to continue for the next two decades. The available development pipeline data indicate that at least three 150-plus-room hotels will be opened in China every day for the next 25 years. Because such a rate of hotel growth has never been seen before, the methods used to open these hotels must be focused and methodical. Given that many of these planned hotel openings have encountered delays, this report analyzes the nature and causes of these delays. Interviews of 81 professionals working at 15 hotel chains were assessed using Causal Chain Analysis. This process revealed a large set of proximate causes for those delays, including last-minute design changes, delays in appointing a contractor, and failure to acquire necessary permits. Deeper analysis of these causes revealed that a lack of understanding and adaptation of project management concepts and techniques were the root causes of these issues. As a consequence, this report recommends that major hotel management companies need to strengthen their project management capabilities if they hope to meet their ambitious China growth targets.

ABOUT THE AUTHORS

Gert Noordzy, MBA, CAPM, is an international hotelier and PhD student. Gert graduated from Hanze College Hotel Management School, Zwolle, The Netherlands, and holds an M.B.A. from the University of Saint Joseph, Macau. Gert is also a Certified Associate in Project Management (CAPM®) from PMI. He has over 20 years professional experience in Greater China and South East Asia and has been involved in opening over 30 hotels.



Richard Whitfield, Ph.D., is president of the East-West Institute for Advanced Studies. He has been a professor at several universities in South East Asia and Macau. Richard's undergraduate and doctoral degrees are in manufacturing from the University of Melbourne, Australia. One of the MBA classes he teaches is Process and Technology Management.

Gert and Richard first started researching hotel opening processes in 2008.

Causes of Hotel Opening Delays in Greater China

Gert Noordzy and Richard Whitfield

Recent years have seen increasing attention on the focus of major global and regional hotel management companies on China as a growth market.¹ The numbers of expected hotel openings in greater China are unlike anything the industry has experienced before. In this paper we review China's growth projections and the plans of major international hotel management companies for China. We then analyze the causes of the delays experienced in the process of opening hotels in the region. Based on a root-cause analysis we consider the implications of this hotel growth and offer recommendations for hotel management companies to better prepare themselves to meet the challenges of opening hotels on such a large scale.² In particular, we argue that China's hotel industry should adopt the well proven project management approaches that are widely used in many other industries.³ We acknowledge, however, that this requires significant culture, organization, and education changes.⁴

¹ USA Today Travel. (2010). Starwood, Hilton, Marriott, other hotels flock to China. http://travel.usatoday.com/hotels/2010-10-26-chinahotels26_CV_N.htm.

² Thomas, J., Delisle, C. & Jugdev, K. (2001). Exploring the "Knowing-Doing" Gap in Project Management. [www.mba.athabascau.ca/titan/aucimweb-site.nsf/AllDoc/5978B1742FEFA54987256CDE006766A3/\\$File/KNOWING-DOINGGAP.PDF?OpenElement](http://www.mba.athabascau.ca/titan/aucimweb-site.nsf/AllDoc/5978B1742FEFA54987256CDE006766A3/$File/KNOWING-DOINGGAP.PDF?OpenElement).

³ PricewaterhouseCoopers (PwC). (2012). Insights and Trends: Current Portfolio, Programme, and Project Management Practices – The third global survey on the current state of project management. www.pwc.com/en_US/us/public-sector/assets/pwc-global-project-management-report-2012.pdf.

⁴ Noordzy, G. (2012). Project Management of New Hotel Opening Processes in Greater China. www.4hoteliers.com/features/article/7642..

Our investigation of hotel opening delays indicates that a substantial roadblock for international hotel management companies is the practice of using a team of personnel drawn from existing properties who then join a corporate logistics team in assisting the hotel's pre-opening team to set up and open the hotel. As we discuss in this report, we believe that this approach is not workable for the scale of international hotel openings planned for China. There are simply not enough people in the existing hotels to do the work.⁵

The problem that we address in this report is that hotel opening delays are commonplace in China. For example, one of the longest international hotel opening delays in China was probably the Hyatt Regency in Hangzhou, which spent six years in its pre-opening phase. Our direct experience in working with three major international hotel companies in over 30 hotel openings in the region has been that international hotel openings in China are typically delayed for anywhere from one to twelve months.

This report is based on an exploratory study conducted in 2009 among hospitality professionals with relevant experience of hotel openings in mainland China, Taiwan, Hong Kong and Macau.⁶ Our goal was to determine the status of hotel openings in China, analyze the problems thus identified, and recommend possible solutions. Five years later, we see no evidence that the situation has changed since our data were collected.

China's Travel & Tourism Outlook

China's tourism and hotel industries are booming, and as shown in Exhibit 1, these industries are major contributors to the nation's economy. The State Council included tourism as a pillar industry in its 12th Five-Year Plan for 2011-2015.⁷ Research by the World Travel & Tourism Council and Oxford Economics shows that in 2012 travel and tourism generated directly and indirectly ¥4.783 trillion (\pm US\$ 717 billion) and contributed 9.3 percent of China's GDP.

Annual investment in travel and tourism in China attracted ¥655 billion (\pm US\$ 98 billion) or 2.8 percent of total investment in 2012. This figure is forecast to rise by 9.2-per-

⁵ Noordzy, G. & Whitfield, R. (2011). Hotel Opening Processes in Greater China, an Analysis of Problems and Issues. www.4hoteliers.com/4hots_fshw.php?mwi=6491.

⁶ Noordzy, G. (2009). Survey. "Which issues cause hotel openings to be delayed?"

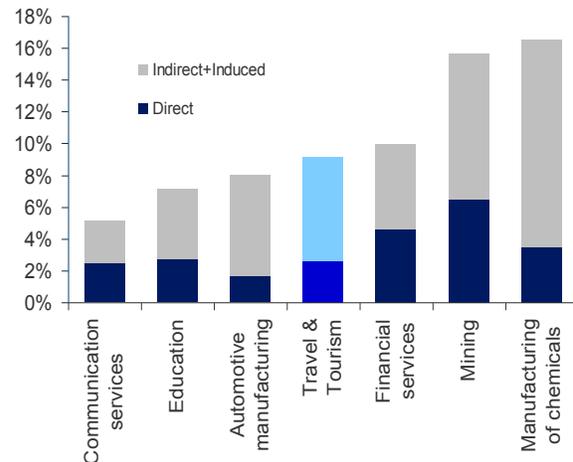
⁷ British Chamber of Commerce in China (BritCham). (2011). China's Twelfth Five Year Plan (2011-2015) – the full English version. www.britishchamber.cn/content/chinas-twelfth-five-year-plan-2011-2015-full-english-version; and World Economic Forum. (2013). The Travel & Tourism Competitiveness Report 2013. www3.weforum.org/docs/WEF_TT_Competitiveness_Report_2013.pdf.

EXHIBIT 1

Economic impact of selected industries in China

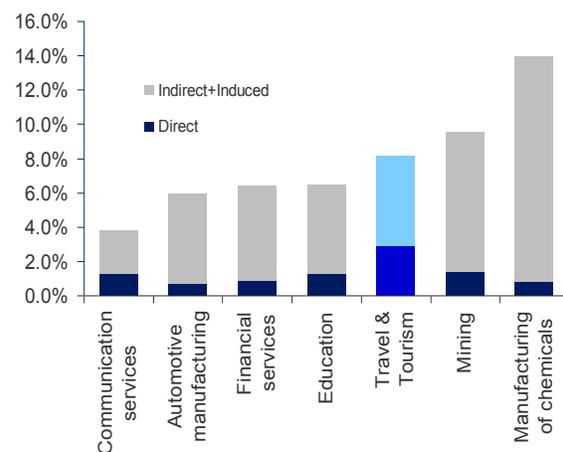
China GDP Impact by Industry

share of total economy GDP



China Employment Impact by Industry

share of total economy employment



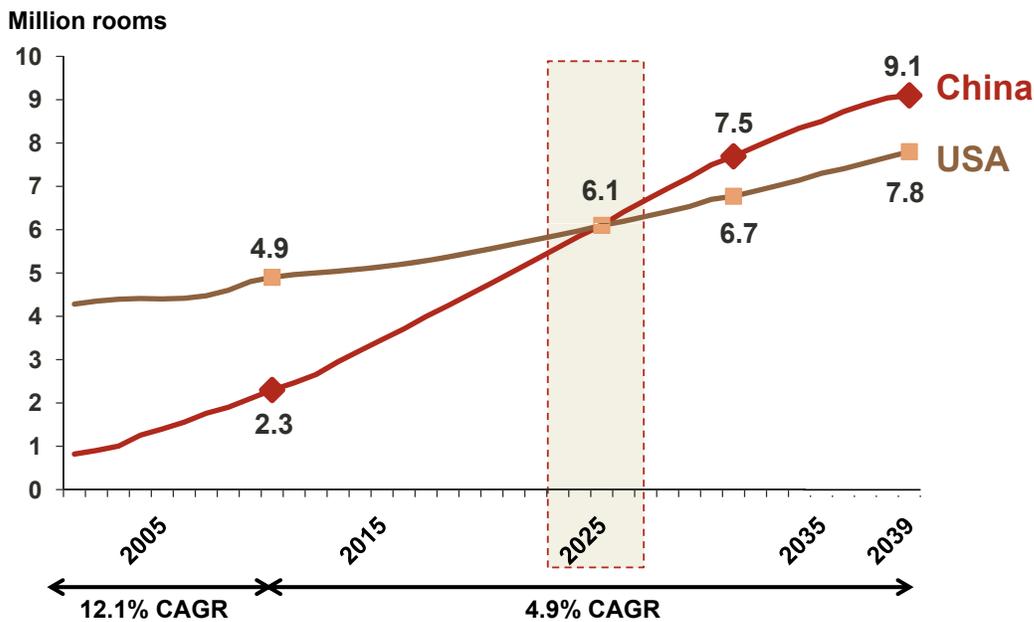
cent per annum over the next ten years to ¥1.68 trillion (\pm US\$ 252 billion) in 2023.⁸

As an international tourist destination China continues to rank third in the world with 58 million international arrivals in 2011, and fourth in receipts with US\$48 billion in 2011.⁹ China is projected to overtake Japan as the region's

⁸ World Travel & Tourism Council (WTTC). (2013). Travel & Tourism Economic Impact 2013 China.

⁹ *The Independent*. (2011). China world's third most visited country: UN. www.independent.co.uk/travel/news-and-advice/china-worlds-third-most-visited-country-un-2195263.html; and United Nations World Tourism Organization (UNWTO). (2012). UNWTO Tourism Highlights 2012 Edition. http://mkt.unwto.org/sites/all/files/docpdf/unwtohighlight-s12enlr_1.pdf.

Hotel-room growth projections, USA and China



Source: Morgan Stanley, United Nations World Travel Organization, IHG

largest travel market¹⁰ and to be the world's second largest tourist market in 2013 with an 8-percent share of global tourists.¹¹ Similarly China's domestic tourism and travel market is projected to grow by 16 percent annually to reach US\$620 billion in 2020.

China's Transport Infrastructure

Just as the U.S. built its interstate highway system to promote vehicular travel across the continent, so is China connecting the country with an Express Way System, which is expected to reach a total length of 3 million kilometers by 2020.¹² Unlike the U.S., China is expanding its high speed railway network and the number of airports. By the end of this decade the high

speed rail system is planned to connect over 250 Chinese cities, with a total track length of 30,000 kilometers.¹³

In 2008 China had a total of 147 civil airports in operation.¹⁴ By 2010 the number had grown to 195.¹⁵ Plans are to build 97 new airports before 2020.¹⁶ According to ACI Asia-Pacific, Beijing handled 7.5 million passengers in August 2012, while Hong Kong had 5.1 million passengers.¹⁷

China's Hotels

China has approximately 2.3 million hotel rooms, and most major international chains are represented there. As summarized in Exhibit 2, China's National Bureau of Statistics predicts that the number of hotel rooms in China

¹⁰ Quinby, D. (2012). Asia Unleashed: Regional Travel Market in the Throes of Transformation. www.phocuswright.com/research_updates/asia-unleashed-regional-travel-market-in-the-throes-of-transformation?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+PhocusWrightFYI+%28PhocusWright%27s+FYI%29; and China Travel Trends. (2012). China to surpass Japan as the second-largest travel & tourism market in the world by 2013. <http://chinatraveltrends.com/china-to-surpass-japan-as-the-second-largest-travel-tourism-market-in-the-world-by-2013/>.

¹¹ Boston Consulting Group (BCG). (2011). Taking Off – Travel and Tourism in China and Beyond. www.bcg.com.cn/export/sites/default/en/files/publications/reports_pdf/BCG_Taking_Off_Mar_2011_ENG.pdf

¹² Thomas White Global Investing. (2011). BRIC Spotlight Report - Toll Roads in China: Speeding Up Growth. www.thomaswhite.com/pdf/bric-spotlight-report-china-toll-roads-expressways-june-11.pdf.

¹³ U.S. Global Investors. (2011). Railway Revolution Builds China's Consumer Culture. www.usfunds.com/investor-resources/frank-talk/China-India-Asia/Railway-Revolution-Builds-Chinas-Consumer-Culture-5773/?CFID=5183350&CFTOKEN=86391326.

¹⁴ China Airports. (2008). China airports, major airports in China. www.airports-china.com.

¹⁵ Deloitte. (2010). Hospitality 2015 – Game changers or spectators? www.deloitte.com/assets/Dcom-Tanzania/Local%20Assets/Documents/Deloitte%20Reports%20-%20Hospitality%202015.pdf.

¹⁶ Xin, Dingding. (2008). China to add 97 airports in 12 years. *China Daily*. www.chinadaily.com.cn/bizchina/2008-03/25/content_6563240.htm.

¹⁷ 4Hoteliers. (2012). Asia-Pacific airports record solid growth. www.4hoteliers.com/4hots_nshw.php?mwi=10547.

will more than double to 6.1 million by 2025, equaling the expected U.S. number by that time. Then by 2039 China is expected to reach 9.1 million hotel rooms, most of them newly built, four times the current number.¹⁸

Others have reached comparable conclusions. The *China Hotel Market Outlook* for 2012 and beyond reflects a growth trend which ranges from 17 to 181 percent for fifteen key cities.¹⁹ *China Daily* reported that a hotel operated by an international brand is expected to open in China every four days, meaning that China gained 84,000 rooms operated by international hotel chains between the end of 2010 and 2013, bringing the number of guest rooms in international hotels to 240,000 by the end of 2013.²⁰

Similarly, a tourist industry expert with the Shanghai Academy of Social Sciences expects China to add more than 1,500 new hotels each year from 2010 to 2015 with a total investment of US\$62.5 billion.²¹ Furthermore, according to the September 2012 STR *Global Construction Pipeline Report*, the Asia Pacific hotel supply outlook was for 1,671 additional hotels with a total of over 337,397 rooms.²²

Lodging Econometrics reported in spring 2013 that the Asia Pacific Pipeline stood at 2,401 new hotel projects with a total of 557,505 rooms as of Q4 2012 (not including projects in the pre-planning stage). The number of projects already under construction represents 71 percent of the total pipeline. China alone has the largest pipeline in the world by room count with 1,622 projects, totaling 407,721 rooms, according to Lodging Econometrics (see Exhibit 3).²³

The China Plans of Major Industry Players

In an October 2012 article, *The Wall Street Journal* noted that just about every hotel company admitted concern that China is being overbuilt, but none seems to be slowing their

¹⁸ *The Washington Post*. (2011). Number of hotel rooms set to soar. China Watch. <http://chinawatch.washingtonpost.com/2011/11/number-of-hotel-rooms-set-to-soar.php>.

¹⁹ Dai, J. & Little, D. (2011). *China Hotel Market Outlook*. Horwath, hotel, tourism & leisure. www.chinahotelseminar.com.cn/files/path/1333000020.pdf.

²⁰ Wang, W. (2011). China set for massive rise in hotel numbers. *China Daily*. www.chinadaily.com.cn/bizchina/2011-08/11/content_13093129.htm.

²¹ ARC China. (2011). Moody's Reviews China's Credit Rating, Overseas Investment, Domestic Market News and more. www.arcchina.cn/news/china-economic-news/moodys-reviews-chinas-credit-rating-overseas-investment-domestic-market.

²² Hotel News Now (HNN). (2012). STR Global: Asia/Pac pipeline for September. www.hotelnewsnow.com/articles.aspx/9148/STR-Global-Asia-Pac-pipeline-for-September; and 4Hoteliers. (2012). Global hotel construction pipeline report. www.4hoteliers.com/4hots_nshw.php?mwi=10549&awsb_c=4hdm&awsb_k=dnws.

²³ Lodging Econometrics. (2013). Asia-Pacific Lodging Real Estate Trends – Executive Summary. www.lodgingeconometrics.com/4q2012-asia-pacific-executive-summary/.

EXHIBIT 3

Hotel construction pipeline estimates

Asia Pacific Construction Pipeline

Region	Q4 2013		Variance from Q4 2011	
	Projects	Rooms	Projects	Rooms
China	1,622	407,721	19%	2%
India	350	60,777	-10%	-15%
Indonesia	181	28,268	118%	101%
All Other Countries	248	60,739	-2%	1%
Total Pipeline	2,401	557,505	15%	2%

Asia Pacific Top Markets by Project

Markets	Q4 2013		Variance from Q4 2011	
	Projects	Rooms	Projects	Rooms
Shanghai, China	86	17,025	0%	-14%
Beijing, China	64	10,581	60%	12%
Chengdu, China	58	17,144	61%	57%
Jakarta, Indonesia	58	9,777	107%	78%
Guangzhou, China	50	11,892	43%	12%
Suzhou, China	43	8,099	-12%	-26%
Sanya, China	42	14,497	17%	-22%
Hong Kong, China	42	9,651	-43%	-40%

Source: Lodging Econometrics

expansion plans. The consensus seems to be that demand will eventually catch up with supply growth, while the bigger concern is finding enough people to build and manage these hotels.²⁴ Much of this development involves relatively small, midscale projects and those in second and third tier cities.²⁵ Jones Lang Lasalle reported that in many third-tier cities, the “existing hotel product is outdated, owners’ management capabilities are limited, overall room rates are low, and a

²⁴ Chow, J. (2012). Hoteliers Brave Room Glut in China. *The Wall Street Journal*. <http://online.wsj.com/article/SB1000087239639044362420457805633221116400.html>; and Deloitte. (2010). Hospitality 2015 – Game changers or spectators? www.deloitte.com/assets/Dcom-Tanzania/Local%20Assets/Documents/Deloitte%20Reports%20-%20Hospitality%202015.pdf.

²⁵ Hotel Management.net. (2011). China, other developing countries bank on positive future for hotels. www.hotelmanagement.net/china-other-developing-countries-bank-on-positive-future-for-hotels; and Lodging Econometrics. (2013). Asia-Pacific Lodging Real Estate Trends – Executive Summary. www.lodgingeconometrics.com/4q2012-asia-pacific-executive-summary/.

Hotel group rankings, world and China

Top 10 of worldwide hotels groups as of 01 January 2013					
Rank	Groups	Global		China	
		Hotels	Rooms	Hotels	Pipeline
1	InterContinental Hotels Group	4,602	675,982	200	169
2	Hilton Worldwide	3,992	652,738	35	120
3	Marriott International	2,672	638,793	70	70
4	Wyndham Hotel Group	7,342	627,437	573	105
5	Choice Hotels International	6,198	497,023	3	n.a.
6	Accor Hotels	3,515	450,199	133	85
7	Starwood Hotels & Resorts	1,121	328,055	120	100
8	Best Western International	4,024	311,611	37	41
9	Home Inns & Hotels Management Inc.	1,772	214,070	1,900	1,000
10	Carlson Rezidor Hotel Group	1,077	166,245	12	24

Sources: MKG Hospitality Database, corporate annual reports

high share of demand for both lodging and entertainment derives from local governments.”²⁶

Based on annual reports and other publicly available information, the authors have analyzed the China development plans of major international hotel groups (see Appendix A, page 19).²⁷

Exhibit 4 shows the number of hotels in the portfolio of the top 10 groups in 2013, along with the number of hotels they have in China, and the number they plan to open in China. As you can see, only one of these groups seems to have little interest or plans for China.

Synopsis of China Plans

The following is a summary of the chains’ plans for development in China.

- IHG announced in February 2011 that the next 20 years would see almost an eightfold increase in IHG’s rooms in Greater China.²⁸
- Hilton announced in September 2011 its plans to qua-

druple the number of its hotels in China before 2014.²⁹

- In June 2012, Marriott International’s chief development officer announced plans to invest US\$2 billion over the subsequent three years to open new hotels globally, and 14 percent of Marriott’s planned openings would be in China.
- Wyndham’s CEO said in July 2011: “Our long-term vision is to have a footprint in China that rivals our presence in the U.S.”³⁰ At the Hotel Investment Conference Asia Pacific in October 2012, the company’s chief executive pointed out that 28 percent of the company’s global pipeline is in mainland China.³¹
- Accor Asia Pacific’s chairman and COO explained in an interview with Reuters that Accor aimed to open 100 hotels in China in the following two to three years.³²

²⁶ Koh, J. & Lo, J. (2012). Built for Success. *China Daily Asia Pacific*. www.chinadailyapac.com/article/built-success; and Ng, Lily. (2012). Hotels – Opportunities for International Brands. Jones Lang Lasalle Hotels. www.joneslanglasalle.com/China50/en-gb/Pages/China50-Hotels.aspx.

²⁷ MKG Group. (2013). MKG Hospitality database – March 2013. www.mkg-group.com/.

²⁸ Finance Director Europe (FDE). (2012). Building long-term success in high-growth markets – Tom Singer, IHG. www.the-financedirector.com/features/featurefde-may-2012-breakfast-briefing-tom-singer-ihg-rel-gempact/.

²⁹ Cao, B. (2011). Hilton China Hotels to Rise Fourfold by 2014. Bloomberg News. www.bloomberg.com/news/2011-09-08/hilton-china-hotels-to-rise-fourfold-by-2014.html.

³⁰ Seeking Alpha. (2011). Wyndham Worldwide’s CEO Discusses Q2 2011 Results – Earnings Call Transcript. <http://seekingalpha.com/article/282309-wyndham-worldwide-s-ceo-discusses-q2-2011-results-earnings-call-transcript>.

³¹ Sito, P & Leung, P. (2012). China’s Hotel Business is Booming. www.scmp.com/property/hong-kong-china/article/1062538/chinas-hotel-business-booming.

³² Tourism & Aviation (T&A). (2012). France’s Accor to open 100 hotels in China and 23 new hotels in Middle East. www.tourismaviation.com/17315-frances-accor-to-open-100-hotels-in-china-and-23-new-hotels-in-middle-east.html; and Lee, M. (2012). France’s Accor aims to open 100 hotels in China in 2-3 years. Reuters. www.reuters.com/article/2012/02/28/uk-accor-china-idUSLNE81R01220120228.

while the group targets to quadruple the size of its network in China with a network of 400 hotels by 2015.³³

- Starwood's president and CEO said during the *Fortune* Global Forum in Chengdu in April 2013 that the company will open twenty new hotels in 2013, or one new hotel every 20 days in China.³⁴
- In a 2012 interview, the chief executive of Home Inns told Bloomberg that the company "Plans to add 330 to 360 hotels annually in the coming three years. I'm confident about the market growth potential, especially in the next three to five years."³⁵

Development Plan Implications

Given the rate of hotel construction and openings the question becomes, how can hotel operators open new properties on this scale effectively and efficiently?

This question is predicated on the normal industry opening practice of recruiting a permanent hotel pre-opening team that is supplemented by a task force drawn from existing hotels. This approach works only when the number of openings matches the task force availability. Moreover, the owner of the sending hotel must approve "lending" staff, which increases the remaining staff workload. With regard to China's situation, the challenge of individual projects running simultaneously instead of sequentially prohibits the concept of "permanent" task forces.

Given these issues, we can see that this method is not workable in China, since there are simply not enough people in the existing hotels to assist with new hotel openings. Some international hotel companies have addressed this issue by establishing dedicated opening departments. However, we have observed that this approach alone cannot meet the challenges and dynamics of new hotel development on large scale. As we describe in the next section, a project management approach may resolve many of these issues, and we note that some existing hotel opening departments are using elements of project management methodology.

³³ Accor. (2012). An ambitious development strategy. www.accor.com/en/finance/accors-strategic-vision.html; Accor. (2012). Three high-potential flagship markets. Press Kit October 2012 www.accor.com/fileadmin/user_upload/Contentus_Accor/Presse/Dossiers_Presse/EN/accor_press_kit_october_2012.pdf; and Ma, ZH. (2012). Accor stresses Chineseness in its hotels. *China Daily*. www.chinadaily.com.cn/business/2012-03/26/content_14911643.htm.

³⁴ Starwood Hotels & Resorts. (2013). News. Starwood Continues to Expand Its Lead in China. http://development.starwoodhotels.com/news/1/584-starwood_hotels_resorts_continues_to_expand_its_lead_in_china.

³⁵ Cao, B. (2012). Home Inns Keeps Growth Goal in Slowing Economy: China Overnight. *Bloomberg News*. www.bloomberg.com/news/2012-06-28/home-inns-keeps-growth-goal-in-slowing-economy-china-overnight.html.

Project Management as a Strategic Competence

We suggest a project management strategy because of the volume and complexity of China's hotel development plans. As PwC has observed, successful organizations are increasingly using project management to drive development and achieve their business objectives.³⁶

Project management is the application of specific knowledge, skills, tools, and techniques to meet project requirements.³⁷ This approach is based on the recognition that managing projects is fundamentally different from managing ongoing organizational operations and involves different skill sets.³⁸ In this report, we draw upon the body of knowledge about project management, which is widely used in other industries. Project management has several major international professional associations, such as the Project Management Institute, and many training courses, degrees, and professional certifications are offered around the world.³⁹

As an example, since 1996 more than 10,000 IBM employees have received Project Management Professional (PMP) accreditation.⁴⁰ This was a company-wide initiative to ensure a consistent approach to project management. The effort to become more project-focused included the development of the IBM Project Management Center of Excellence. IBM has also created its own worldwide project management method, based on key concepts from the PMBOK Guide.⁴¹

Projects inherently involve risk and have high failure rates.⁴² Several themes have emerged in the research about

³⁶ PricewaterhouseCoopers (PwC), *op.cit.*

³⁷ Project Management Institute (PMI®). (2013). A guide to the Project Management Body of Knowledge (PMBOK®) – Fifth Edition. Library of PMI Global Standards – Foundational Standards.

³⁸ Project Management Institute (PMI®). (2007). Project Manager Competency Development (PMCD) Framework – Second Edition. Library of PMI Global Standards – Practice Standards and Frameworks. www.pmi.org/PMBOK-Guide-and-Standards/Standards-Library-of-PMI-Global-Standards.aspx.

³⁹ Project Management Institute. (PMI®). www.pmi.org.

⁴⁰ Project Management Institute. (PMI®). (2012). PMI Continuing Certification Requirements (CCR) Program. Maintaining Your PMI Credentials. <http://pdu.pmi.org>.

⁴¹ Peng, J. (2003). IBM Project Management Competency. IBM Global Service. www.ss.pku.edu.cn/project/ppt/21-1-IBM-JanePeng-PM_Competency.pdf.

⁴² McKinsey & Company. (2010). Perspectives on merger integration. www.mckinsey.com/client_service/organization/latest_thinking/~/media/1002A11EEA4045899124B917EAC7404C.ashx; The Standish Group. (2011). IT Project Performance – Standish Chaos Report: 1994-2010. www.standishgroup.com; PM Solutions. (2011). Strategies for Project Recovery. www.pmsolutions.com/collateral/research/Strategies%20for%20Project%20Recovery%202011.pdf; and Project Management Institute. (PMI®). (2012). PMI's Pulse of the Profession, Driving Success in Challenging Times. www.pmi.org/~/media/PDF/Research/2012_Pulse_of_the_profession.ashx.

EXHIBIT 5**Respondents' company function**

Corporate director	28%
Corporate managing director	10%
Corporate project manager	2%
Corporate vice president	15%
Hotel general manager	35%
Hotel owner	4%
Hotel-based regional general manager	6%

the factors affecting project success in various industries, including having a suitable organization structure and an established project management office, employing certified practitioners and engaged and experienced key staff, conducting training and staff development, adopting a well proven project management methodology, and using dedicated project management software.⁴³

A study by the Project Management Institute found that “project management is now used in more than 85 occupations across a wide swath of functions and industries,”⁴⁴ but the hotel industry is not one of them. We could find little research examining the problems in managing hotel opening projects, and no conventional literature on hotel opening processes.⁴⁵ We begin to fill that gap with this study, and we describe how project management can apply to the hotel industry generally, and opening hotels in China in particular.

Several studies have established the value of project management. The Project Management Institute conducted a 3-year, US\$2.5 million study that establishes the value created by project management, with such outcomes as satisfaction; project and organizational alignment; consistent use of good practices; better results of processes and projects; better business outcomes; and realization of tangible and

⁴³ PricewaterhouseCoopers, *op.cit.*

⁴⁴ Project Management Institute (PMI*). (2010). The Power of Project Management Education. The Power of Project Management. www.pmiteach.org/UploadedDocuments/Why_Teach_Project_Management/Power_of_Project_Management_WhitePaper.pdf.

⁴⁵ Noordzy, G. (2012). Project Management of New Hotel Opening Processes in Greater China. www.4hoteliers.com/features/article/7642.

intangible benefits.⁴⁶ A survey of 1,500 respondents from 38 countries within 34 industries concluded that that (1) project management maturity levels are on the rise, (2) higher maturity yields higher performance and (3) organization maturity is directly correlated with organizational success.⁴⁷

A Survey to Understand Hotel Opening Delays in Greater China

To study the potential value of project management in China’s hotel industry, we drew a convenience sample of 100 hotel executives with relevant experience from our extensive professional network working in Greater China. A total of 81 executives participated in structured, open-ended telephone and email interviews conducted in December 2009. Most respondents worked for one of 15 international and regional hotel (brand) management companies, and all had been involved in new hotel openings in Greater China. Besides collecting demographic details, we asked each participant two main questions:

- How does your company approach new hotel opening processes?; and
- In your view, which issues cause new hotel openings to be delayed?

As can be seen in Exhibits 5 and 6, the respondents represent the full spectrum of roles and positions and firms that are opening hotels in Greater China. Since the sample included several staff from most of the international hotel management companies operating in Greater China, we could corroborate internal practices and problems through several interviews in most cases.

How does your company approach new hotel opening processes?

At the time of the survey, only two of the 15 companies represented in the study had a dedicated hotel opening function, although we note that two others were setting up a similar function in 2010. In most cases, new hotel openings were managed by corporate operations, supported to varying degrees by functional specialists. One firm would occasionally send a dedicated corporate project manager to assist both the hotel owner and hotel general manager throughout the

⁴⁶ Thomas, J. & Mullaly, M. (2008). Researching the Value of Project Management. www.pmi.org/Knowledge-Center/Research-Completed-Research/~media/Members/Research/Researching%20the%20Value%20of%20PM.ashx; PricewaterhouseCoopers (PwC). (2004). www.pwc.com/us/en/operations-management/assets/pwc-global-project-management-survey-first-survey-2004.pdf; PricewaterhouseCoopers (PwC). (2007). Insights and Trends: Current Programme and Project Management Practices – The second global survey on the current state of project management maturity in organizations across the world. www.pwc.com/us/en/operations-management/assets/pwc-global-project-management-survey-second-survey-2007.pdf; and PricewaterhouseCoopers (2012), *op.cit.*

⁴⁷ PricewaterhouseCoopers (2012), *op.cit.*

opening process. In another case, hotel openings are driven entirely by the newly appointed hotel general managers who, while they may be experienced in operating hotels, often have little knowledge or understanding of what is involved in opening a hotel. Three firms that operate via franchising reported that new hotel openings are largely driven by the hotel owners. Since most owners in China only have one or two properties, we believe they would be inexperienced in setting up hotels and subsequently operating them (which is one reason why they favor outsourcing these activities to hotel management companies).

As a result of the interviews, we make the following observations regarding the respondents:

- None of the respondents was an expert in the field of project management and its methodology.
- None of the respondents had received any formal project management training.
- None of the respondents could recall a hotel opening by its target opening date, either as projected at the execution of the contract or as projected at the starting date of the hotel general manager.
- None of the respondents held any type of project management certification, although one respondent (with an engineering background) had held PMI certification in the past.
- Only four respondents had heard of the Project Management Institute.

Similarly, as a result of the interviews, we offer the following observations regarding the hotel management companies:

- Two of the fifteen hotel management companies had a dedicated hotel opening support function.
- None of the hotel management companies employed certified project managers.
- None of the hotel management companies had a project management department.

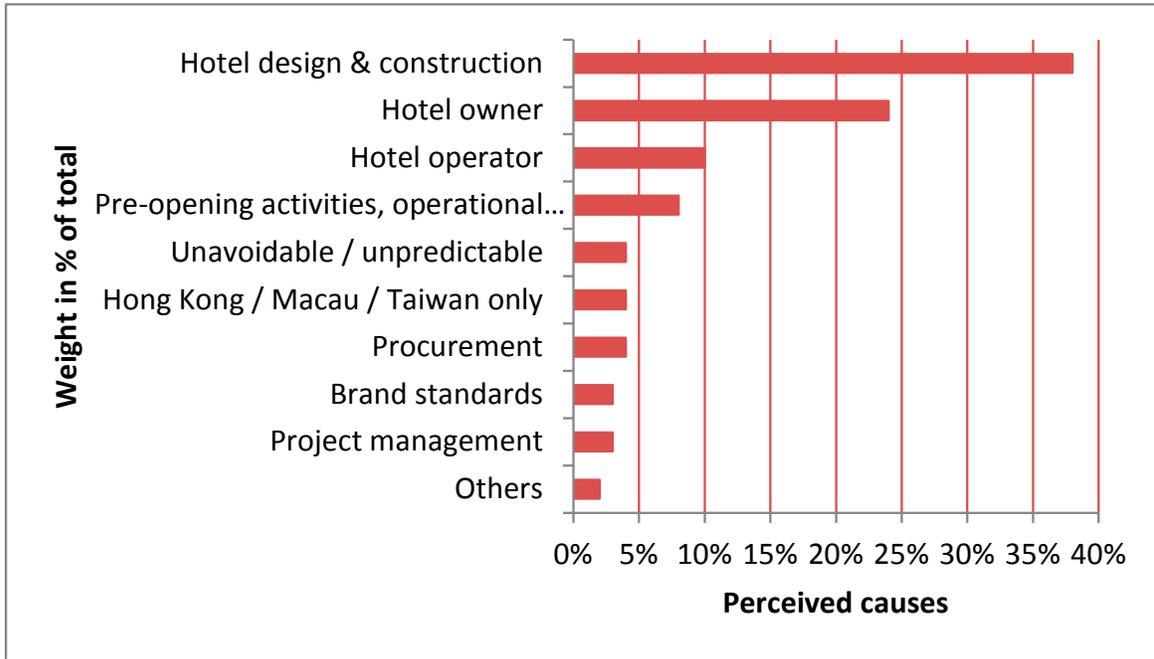
This confirms that the international hotel management companies operating in China follow the traditional approach to opening hotels that we outlined above. We must conclude that this system is not working properly, because nearly all new hotels openings in China are delayed. Finally, this confirms project management ideas and concepts are not well known in the nation's hotel industry.

EXHIBIT 6

Respondents' corporate affiliation

Accor Hotels	17%
Best Western International	1%
Carlson Rezidor Hotel Group	1%
Choice Hotels International	2%
Hilton Worldwide	5%
Hyatt Hotels Corporation	6%
InterContinental Hotels Group	28%
The Langham Hotels & Resorts	4%
Mandarin Oriental Hotel Group	2%
Marco Polo Hotels	2%
Marriott International	4%
Shangri La Hotels & Resorts	4%
Starwood Hotels & Resorts	5%
Swiss-Belhotel International	4%
Wyndham Hotel Group	5%
Others	10%

Pareto analysis of main issue categories



In your view, which issues cause new hotel openings to be delayed?

Since this exploratory study is qualitative, we did not set out to calculate the relative frequency of different kinds of problems, but it is reasonable to assume that problems identified by more respondents are more commonly occurring. Our respondents raised 825 different points, which we grouped based on similarity. As shown in Appendix B (page 20), we identified a total of 51 sub-categories which we then grouped by similarity or interdependency until we arrived at ten categories. For example, the points “last-minute design changes” and “delays in appointment of contractor” are both technical issues concerned with the design and construction of a hotel. Using Pareto Analysis we ranked these ten categories in order of decreasing frequency, as shown in Exhibit 7.⁴⁸

As can be seen, 38 percent of the points raised are grouped into the category “hotel design & construction,” which, in addition to technical issues relating to the design and construction of the hotel, includes obtaining the re-

quired occupancy licenses and permits needed for the hotel to open. Its sub-categories are concept, design, construction, engineering, licenses, and fire life safety. Another 24 percent of the issues related to the hotel owner, which we infer is a result of owners’ inexperience.

Root Cause Analysis & Causal Chain for Hotel Opening Delays

After collecting and sorting the data, we used root cause analysis to determine the underlying causes of the problems.⁴⁹ This analysis method is further explained in Appendix C (page 22), which contains definitions of analytical terms and processes.⁵⁰

We started by reviewing each category and sub-category to determine which are direct causes and which are intermediate causes. Direct causes, also called “show stoppers,” immediately delay the hotel opening. For example, the absence of an operating license will absolutely prevent a hotel from opening. Intermediate causes trigger other events that eventually will lead to a delay. For example, late hiring

⁴⁸ Haughey, D. (2010). *Pareto Analysis Step by Step*. ProjectSmart. www.projectsart.co.uk/pdf/pareto-analysis-step-by-step.pdf.

⁴⁹ Six Sigma. (2012). Determine the Root Cause: 5 Whys. www.isixsigma.com/tools-templates/cause-effect/determine-root-cause-5-whys/.

⁵⁰ Project Management Institute (2013), *op.cit.*

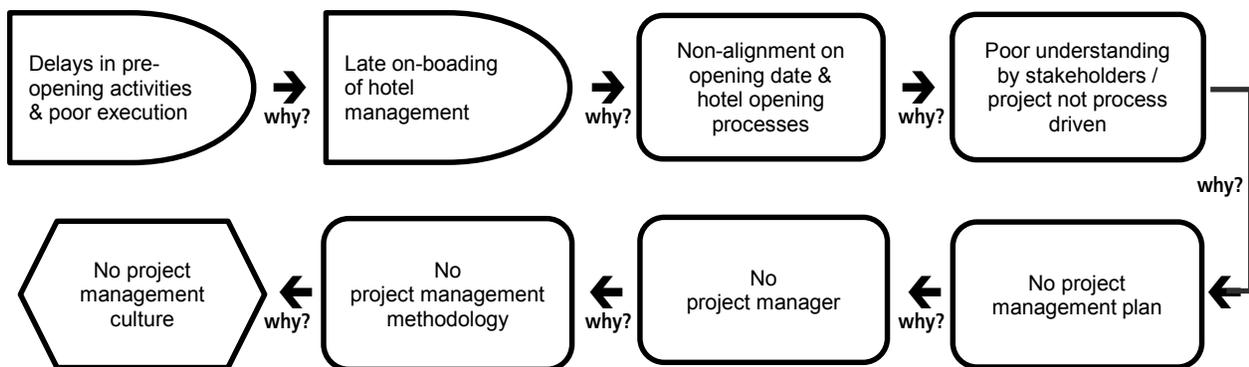
EXHIBIT 8

Direct causes of hotel opening delays

- Delays in procurement process.
- Non-compliance with brand standards.
- Delays in pre-opening activities & poor execution.
- Delays in licenses & permits application process:
 - Delays in fire life safety process.
 - Delays in concept, design, construction & hand-over.

EXHIBIT 9

Intermediate causes of hotel opening delays



Note: Based on "5 Whys" analysis.

of the hotel management will not directly cause a delay of the opening, but may delay the start of pre-opening activities, such as associate recruitment and training, and that may directly result in a hotel opening delay.

Using this methodology, we identified four categories that directly lead to hotel opening delays, as shown in Exhibit 8. Common direct issues include delays in the procurement process that result in late delivery of fixtures, furniture, and equipment or hotel operating equipment and supplies, and failure to comply with contractual brand standards. The following issues can be either direct or intermediate: delays in fire, life, and safety processes; and delays in concept, design, construction, and hand-over. They are intermediate causes if they delay licenses and permits.

Next, we scrutinized the reason that each direct and intermediate cause occurred, using the 5 Whys technique, which involves repeatedly asking "why"? for a cause and each subsequent cause until the underlying reason is exposed. For example, the response to the question "why do delays in preopening activities occur?" is "late hiring of the hotel management." The response to the follow-up question,

"why was the hotel management hired so late?" is "non-alignment between opening date and hotel opening processes."

Since hotel opening delays can result from either a single cause or multiple causes, the analysis traces back through a web of intermediate causes that leads us to a set of root causes that underpin all the symptomatic problems identified by the survey respondents. Returning to the example of late management hiring, as shown in Exhibit 9, this may lead to delays in preopening activities, as well as delays in procurement. To illustrate the levels of intermediate causes, Exhibit 9 provides one example of a potential vector, whereby "delays in pre-opening activities" is the direct cause and "no project management culture" is the root cause.

The third step in the root cause analysis was to deduce the underlying reasons and formulate the root causes from the final set of intermediate causes. Looking at "no project management methodology" and "inexperienced hotel management preopening teams," for example, we concluded that these stem from "no project management culture." At the end of this analysis, we identified three root causes for the delays in hotel openings in Greater China. As shown in Ex-

Root causes of hotel opening delays

- A. Project Investment Motivation
- B. No Project Management Culture
- C. Management Company Modus Operandi

hibit 10, they are (A) project investment motivation, (B) no project management culture, and (C) management company *modus operandi*.

The final step of the root cause analysis was to map out the sequence of events and vectors, the relationships between the direct, intermediate, and root causes, and the determination of whether causes are physical, human or organizational.⁵¹ We consolidated our analysis into a root cause analysis & causal chain for new hotel opening delays.⁵² This diagram is complicated and difficult to read in printed format, but an easily readable large scale version is available [online](#) from the authors.

The diagram depicts the vectors leading to the delayed opening problem. At the top of the diagram we have the three main root causes found from the analysis. According to our analysis, these three root causes are condensed from six levels of inter-related intermediate causes, as shown in the middle of the diagram.

These lead to four sets of direct (perceived) causes, which interfere with the technical, operational, and commercial readiness of the new hotel, and potentially delay a hotel opening. The four sets of perceived causes of hotel opening delays represent over 50 percent of the points raised, but they are direct causes rather than root causes. These are:

- (1) Delays in concept, design, construction and hand-over;
- (2) Delays in pre-opening activities and poor execution;
- (3) Delays in procurement; and
- (4) Non-compliance with brand standards.

The remaining six sets of perceived causes are intermediate causes. These are:

- (1) Late hiring of hotel management,
- (2) Failure to align opening processes with the opening date,
- (3) Poor understanding by stakeholders,

- (4) No project management plan,
- (5) No project manager, and
- (6) No project management methodology.

None of our identified root causes was mentioned by any of the respondents (that is, no one cited project investment motivation; absence of project management culture; or management company *modus operandi*).

While hotel opening delays can occur because of a single cause or multiple causes, the main vector appears to start at “no project management culture,” as shown in Exhibit 9.

We acknowledge that our root cause analysis is inherently subjective, but we see this as yielding meaningful insights, particularly that hotel opening delays in Greater China result from an absence of project management. We are further convinced that adoption of project management concepts and approaches would enhance the efficient opening of new hotels in Greater China.

Summary of Interview Results

Given the huge sums of capital involved in hotel projects, which we estimate at US\$26 billion in China, the essential point to recognize is that what the hospitality industry perceives to be the causes of hotel opening delays are symptoms of more deep-seated systemic problems. Our causal chain analysis demonstrates that the origins of the problem lie in the absence of project management culture in China’s hospitality industry.

We urge senior leaders to review the opening process for hotels in Greater China, and to consider the schedule implications and cost of not employing project management. While it might take several years to fully implement project management, the industry would still benefit, as large scale growth is forecast to continue at least until 2039. Thus, we call for further research to activate project management at the operational level. We believe that this effort will be worthwhile, based on the experience in other industries. The previously mentioned PwC survey found that “97 percent agreed that project management is critical to business performance and organizational success, and 94 percent agreed that project management enables business growth.”⁵³

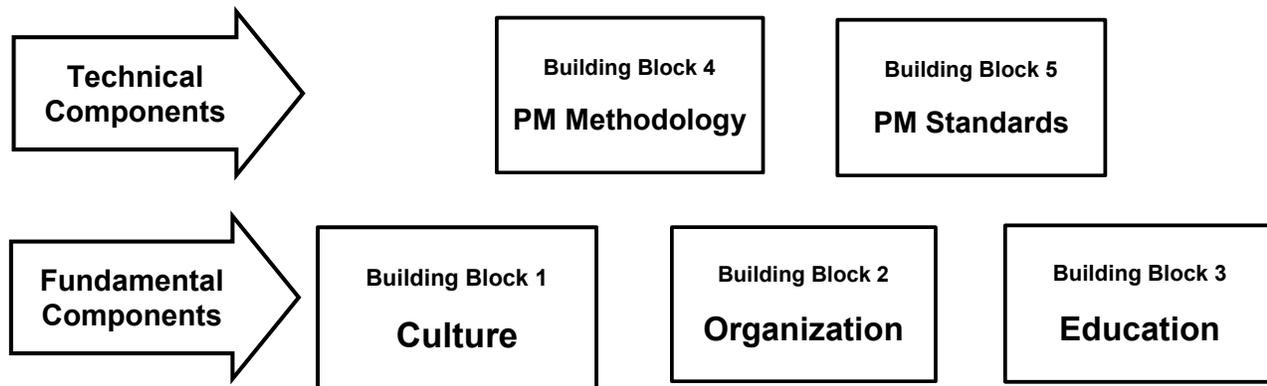
Standard project management methodology is well suited for use in hotel opening projects on a large scale. The processes involved in each hotel opening are virtually identical, which allows for project management plans and schedules to be standardized. Moreover, hotel openings require a specialized set of knowledge and skills. Even if the levels of complexity and the length of the critical path increase for larger, higher tier projects, the processes involved remain fundamentally the same.

⁵¹ Mind Tools. (2012). Root Cause Analysis, Tracing a problem to its origins. www.mindtools.com/pages/article/newTMC_80.htm.

⁵² Root Cause Analysis & Causal Chain for New Hotel Opening Delays (2009): www.hotelopeningprocesses.com/articles_Root_Cause_Analysis-Causal_Chain_for_Hotel_Opening_Delays.html.

⁵³ PricewaterhouseCoopers (2012), *op.cit.*

Five building blocks to improve project performance



Hotel Industry Challenges

Despite the inherent value of project management for the hotel industry, we have identified several major challenges in adopting project management methodologies for hotel openings.

First, our research revealed a limited understanding of project management as a strategic competence.⁵⁴ When asked about project management, one senior corporate hospitality executive stated: “We don’t do construction management...” But, just as general project management has learned from construction management, the hotel industry can learn to improve the execution of its hotel opening projects without becoming construction managers.

Second, the hotel industry has few project management champions. While various hotel management companies employ a specialized hotel opening function or utilize components of project management, none has embraced project management as a corporate culture, and few of the international hospitality management companies in China employ certified project management professionals, let alone certified project management professionals with a hospitality background. However, we note that project management is not unknown in China. Huawei, a major China-based international telecommunications company, for instance, has over 2,000 certified project managers.⁵⁵ Not surprisingly, the majority of executive search agencies specializing in hospitality placements generally do not know about the Project Management Institute and know little about project management.

⁵⁴ Thomas, J., Delisle, C. & Jugdev, K. (2001). Exploring the “Knowing-Doing” Gap in Project Management. [http://www.mba.athabasca.ca/titan/aucimwebsite.nsf/AllDoc/5978B1742FEFA54987256CDE006766A3/\\$File/KNOWING-DOINGGAPPDF?OpenElement](http://www.mba.athabasca.ca/titan/aucimwebsite.nsf/AllDoc/5978B1742FEFA54987256CDE006766A3/$File/KNOWING-DOINGGAPPDF?OpenElement).

⁵⁵ Huawei. (2007). Annual Report 2007. www.huawei.com/ucmf/groups/public/documents/annual_report/092582.pdf.

Third, hotel management companies are traditionally cautious in embracing new technology and disciplines, as occurred with revenue management and total quality management.

A fourth point is that most hotel management companies are set up as functional rather than matrix organizations. This often prevents effective project integration management, which is the implementation of processes required to ensure that all project components are coordinated. Consequently, opportunities for synergistic improvements to hotel opening projects are missed, and people in one functional area are often surprised by delays in other functional areas because they are unaware of them until a deadline is missed.

Finally, and most to the point, we see a general misunderstanding in the industry as to what causes hotel opening project delays. The senior hotel executives in our survey blamed opening delays on problems in design and construction, fire life safety and licensing issues, delays in pre-opening activities and poor execution, delays in procurement, and non-compliance with brand standards. Although all these issues are valid, our analysis strongly suggests that the absence of a project management culture and processes are the key causes underlying these complaints.⁵⁶ This hints that the causes of unsuccessful projects are more often linked to internal factors.

The Way Forward

The purpose of this report is not to be critical of China’s hotel industry, but to offer a mechanism to improve the hotel opening process. In this concluding section, we offer five building blocks to improve project performance, as shown in Exhibit 11. The fundamental components outline how hotel management companies can prepare their organizations to use project management methodology and standards.

⁵⁶ Noordzy, G. (2009), *loc.cit.*

Building Block 1: Culture

Project management needs to be made part of the company culture, starting with corporate leaders and executives. A change of this type takes significant effort, resources, time, effective change management and extreme commitment. The 2008 study conducted by the Project Management Institute among 60 companies underlines the idea that project management delivers most value when it is supported by top leadership, and is reinforced by continuous training.⁵⁷ It also stresses that only commitment from the top can deliver project management aligned with organizational strategy.

Building Block 2: Organization

Hotel management companies must review the structural aspects of project management. These include best practices such as involvement of senior and top management, having a project management office, certification of project managers and key personnel, resource ownership, and clearly defined roles and responsibilities. The PwC survey reiterates that organizational structure is fundamental to project management performance. If organizational alignment is underestimated or completely ignored by management, it can lead to lower project performance.⁵⁸

Building Block 3: Education

Training and continuous development is essential to upgrade the knowledge and skills of the dedicated hotel opening teams, and pre-opening hotel general managers should be familiar with the tenets of project management.⁵⁹ A 2007 PwC study confirmed that “Staff development programmes have the greatest impact on project performance when they are used on a regular basis.”

Building Block 4: Project Management Methodology

Most critically, these firms need to implement project management methodologies. Hotel firms can draw on the knowledge of any of several internationally accredited organizations supporting the project management profession, such as the Project Management Institute,⁶⁰ the Association

for Project Management,⁶¹ and the International Project Management Association.⁶² These provide practitioners and organizations with standards, credentials that verify knowledge and experience, resources for professional development, networking and community. As PwC concluded: “The existence of well-defined repeatable PM processes—often grouped into a PM methodology—differentiates those companies that are able to consistently deliver high project results from those that do not.”⁶³

Building Block 5: Project Management Standards

Finally, hotel companies need to establish well-defined project management standards that will enable companies to consistently deliver superior project results. Using clearly defined Project Management Processes, competent company staff can successfully implement a project.⁶⁴ These processes are associated with initiating, planning, executing, and closing a project while monitoring and controlling it by constantly checking existing processes against preceding or forthcoming processes.

In conclusion, we believe that a project management approach will bring about the ability to consistently and predictably open new the hotels planned for China. The financial returns for effective project management are considerable, according to the 2012 PwC study that we mentioned above. PwC reported that 80 percent of higher-performing projects use a Certified Project Manager, while 50 percent of project failure can be traced to poor or no project management, including bad estimates and deadlines, scope changes, and poor resource planning.⁶⁵

Although our recommendations are supported by our survey of hospitality executives, we must underscore that this is an exploratory study. While lack of project management is a root cause, we have identified a range of issues interfering with timely hotel openings. We plan to further investigate the frequency of opening delays and the frequency of opening-delay issues, and potentially investigate whether the delays are optimal or an equilibrium phenomenon in Greater China. ■

⁵⁷ Thomas and Mullaly, *op.cit.*

⁵⁸ PricewaterhouseCoopers (2012), *op.cit.*

⁵⁹ Cornell University's School of Civil & Environmental Engineering (eCornell). (2011). Project Leadership. www.ecornell.com/assets/PDFs/Enterprise/ProjectLeadership.pdf.

⁶⁰ Project Management Institute, *loc.cit.*

⁶¹ www.apm.org.uk.

⁶² International Project Management Association (IPMA®). (2011). www.ipma.ch.

⁶³ PricewaterhouseCoopers (2012), *op.cit.*

⁶⁴ Project Management Institute (2013), *op.cit.*

⁶⁵ PricewaterhouseCoopers (2007), *op.cit.*

Appendix A: Annual Reports

Accor S.A. (2010). 2009 Annual Report.

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Best Western International, Inc. (2010). 2008 Annual Report.

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ehotelier.com/hospitality-news/item.php?id=A10579_0_11_0_M.

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Wyndham Worldwide Corporation. (2010). Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

Appendix B: Full Survey Results

Construction, design & engineering related			
Delays in construction & hand-over or unrealistic timeframe	59	19%	7%
Delays in fire life safety process	33	11%	4%
Delays in designs & concepts / lack of specifications	29	9%	4%
Delays in or complexity of license application process	26	8%	3%
Poor quality construction, finishing, or decoration & technical defects	22	7%	3%
(Last-minute) design changes	15	5%	2%
Weather conditions	14	4%	2%
Construction process of fire alarm system	14	4%	2%
Indecision over concepts	13	4%	2%
Delays in appointment of contractor	13	4%	2%
Delays of construction & installation of signage	13	4%	2%
Construction changes without license	13	4%	2%
Contractors making false promises	11	4%	1%
Kitchen working flow does not meet local regulations	11	4%	1%
Fit-out proceeds without approval of mock-up room	11	4%	1%
Lack of detailed specifications	8	3%	1%
Non-imposing of penalty in contractor contracts	7	2%	1%
Total	312	100%	38%
Owning company related			
Poor financial planning, funding & budgeting / poor cash flow management / cost overruns	38	19%	5%
Aggressive or unrealistic opening target	36	18%	4%
Owner interference	22	11%	3%
Owner late or non-payment of contractors & vendors	19	10%	2%
Lack of qualified consultants / experts, quantity / quality surveyor	15	8%	2%
Owner lack of understanding of construction	15	8%	2%
Lack of good relationship with local government & bureaucracy	13	7%	2%
Multi ownership or conflict of interest	12	6%	1%
Traditional structure of Chinese companies or first time hotel owner	6	3%	1%
Owner awarding contracts to friends	6	3%	1%
Indecision over use of land or clearing land & demolition	5	3%	1%
Underestimation of project complexity & expenses	4	2%	0%
Delays due to feng shui or holidays	4	2%	0%

Total	195	100%	24%
Hotel management company related			
Lack of communication, understanding, or trust between management & owning company.	29	35%	4%
MC signed too late in the construction process, or last minute projects	22	27%	3%
Corporate developer unclear to owner on brand standards	11	13%	2%
Lack of pre-opening resources, or poor corporate support	16	20%	1%
Personality mismatch of GM (operations or opening type)	4	5%	0%
Total	82	100%	10%
Pre-opening activities, operational readiness related			
Delays in pre-opening activity or operational readiness	46	74%	6%
Poor execution of pre-opening activities	16	26%	2%
Total	62	100%	8%
Procurement process related			
Delays in procurement process	35	100	4%
Total	35	100%	4%
Project management related			
Lack of project management, project manager, or poor planning	25	71%	3%
Lack of efficiency & effectiveness	5	14%	1%
Lack of communication & coordination	3	9%	0%
Management company lack of process management understanding	2	6%	0%
Total	35	100%	4%
Hong Kong, Macau, Taiwan only			
Labor or employee supply shortage	13	39%	2%
Customs and import issues	13	39%	2%
Work permits or visas for imported labor	7	21%	1%
Total	33	100%	4%
Unavoidable / unpredictable			
<i>Force majeure</i> : natural disasters or economic downturn	16	52%	2%
No project feasibility study	15	48%	2%
Total	31	100%	4%
Brand standards related			
Misinterpretation of or non-compliance with brand standards	25	100%	3%
Total	25	100%	3%
Others			
Different opinion between key stakeholders or conflicts of interest	6	40%	1%
Community or environmental concerns	5	33%	1%
Corruption	4	27%	0%
Total	15	100%	2%

TOTAL	825	100%
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Appendix C: Terminology

Causal chain. The sequence of events leading up to some final effect, where each member of the sequence causes its succeeding member to come out.

Direct cause. Action, event, flaw, or force that is the immediate, initiating, or primary agent which leads to, or allows to happen, an action, event, or state. Causes may be natural or man-made, active or passive, initiating or permitting, obvious or hidden. Causes that lead immediately to an effect are often called direct, proximate or surface causes.

Impact. Consequences of project activities which are directly related to project goals. These can be far downstream from the project activities.

Input [Process Input]. Any item, whether internal or external to the project, that is required by a process before that process proceeds. May be an output from a predecessor process.

Intermediate cause. An event or lack of event that precipitates another event or failure, which in turn eventually becomes a cause of project failure or delay.

Multiple causes philosophy. The multiple causes philosophy is based on the belief that a root cause can exist for each of the contributing factors that were necessary for a resulting outcome. By preventing any of those necessary causes, an undesired outcome can be prevented. The result of this philosophy is a branching model that attempts to incorporate all the identified ways that the outcome could be prevented. The inclusive model provides a variety of corrective actions that can potentially break the causal chain.

Root cause. Agent, failure, or fault from which a chain of effects of failures originates. A root cause is an initiating cause of a causal chain, which leads to an outcome or effect of interest. Commonly, root cause is used to describe the depth of the causal chain, where an intervention could reasonably be implemented to change performance and prevent an undesirable outcome. There are differences in viewpoint regarding the possibility of an outcome having more than one root cause.

Root cause analysis (RCA). A procedure for ascertaining and “analyzing” the causes of (operations) problems in an effort to determine what can be done to solve or prevent them. Root causes are determined when a chain of cause and effect is followed from a known end-state back to an origin or starting point. The basic concept is that solving a problem by addressing the root cause(s) is ultimately more effective than merely addressing symptoms or direct causes.

Single cause philosophy. The single cause philosophy is based on the belief that there is a single cause for any outcome that, if prevented, would prevent the outcome itself. In this context, the root cause is the cause which dominates over all other contributing factors. This viewpoint results in the identification of a single root cause that provides a clear direction for preventing an undesired outcome. (The subject criterion used for selection of the root cause from among the contributing factors has been criticized as being arbitrary and inconsistent.)

Outcome. A first level of consequences, which flow from products and services which are outputs of the project. May depend on inputs, actions,

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