

Project Path Dependence

concept cards[©]

FOR TEAMS, MANAGERS OR LEADERS

Why projects are continued even though they are more expensive, behind schedule and yield less scope or quality.

Path

After a fundamental path decision, a path is a set of dependent decisions made about choices.



Path Dependence

Path dependence occurs when it is perfectly rational to continue a previously chosen path because the continuation of the existing path is more advantageous than any alternative.

Path Effects

Path effects accumulate with the time a path is followed. They generate value and benefits from building and achieving:

1. Environment & Infrastructure
2. Knowledge & Experience
3. Community, Network & Feedback
4. Increasing marginal income
5. Decreasing marginal costs

Abandoning the path means to lose all values and benefits that have accumulated over time. In addition change costs, clean-up and scrap costs will occur.

Project Path Dependence

If the current results of a project:

- are not satisfactory and not as desired,
- are below quality expectation,
- are more costly than budgeted, or
- took longer than suggested until now

then Project Path Dependence occurs when it is nevertheless perfectly rational to continue the project because the continuation is the best alternative and promises the desired project result for the least costs from now on. The continuation benefits from the fact that the costs incurred so far are sunk costs.

Sunk Costs

Sunk costs are costs already incurred that can no longer be reversed. Thus, they are irrelevant for new, forward-looking decisions and should not be considered.

Lock-In

Lock-in is the point in time at which it is absolutely disadvantageous to abandon the (project) path no matter what.