

Budgets Kill Projects: Challenging the common belief that all Projects benefit from budgets¹

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Abstract

Project budgets are widely regarded as indispensable instruments of planning, governance, and control. Consequently, project success is frequently assessed by adherence to approved budget baselines, while significant effort is devoted to improving the accuracy of cost estimation and forecasting. This paper challenges that prevailing assumption by arguing that budgets are fundamentally predictions about an uncertain future and therefore become progressively less appropriate as the complexity, novelty, and uncertainty of projects and programs increase.

This conceptual paper distinguishes between budgets, funding, and investment, arguing that a budget is not an investment but an estimate of the financial resources expected to be required. While budgets provide a useful planning baseline for relatively predictable projects, they become epistemologically problematic for complex projects and benefit-oriented programs, whose objectives, scope, and resource requirements evolve as knowledge is created. Programs such as the Apollo Program, the Manhattan Project, COVID-19 vaccine development, enterprise transformations, and the Olympic Games demonstrate that successful initiatives frequently depend on adaptive funding and the continuous mobilization of financial and non-financial resources rather than adherence to an initial budget.

Drawing on conceptual analysis, published research, and the author's professional experience, the paper proposes a shift in project governance. Rather than treating budget conformance as the dominant measure of success, governance should emphasize the continual reassessment of resource commitments, adaptive funding decisions, and the realization of strategic value as uncertainty is progressively reduced.

The paper concludes that budgets remain valuable instruments of financial accountability but should inform governance rather than dominate it. As project complexity increases, governance should progressively shift from protecting predetermined budgets toward enabling adaptive resource commitment and value creation.

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Introduction

Budgets kill projects

This statement is deliberately provocative because governments, corporations, project management organizations, and much of the academic literature regard budgets as indispensable prerequisites for projects. Business cases, portfolio selection, investment decisions, and project governance all rely heavily on financial estimates and budget approvals. Techniques such as Earned Value Management (EVM) assume that project performance can be monitored and controlled by comparing actual expenditures with predetermined budgets. Consequently, project success and failure are frequently judged by adherence to budget baselines.

A project budget is essentially a prediction. It estimates the financial resources expected to be consumed over the project's lifetime and allocates those resources across planned activities and reporting periods. Considerable effort is devoted to improving the accuracy of these predictions through estimating techniques, historical data, expert judgment, and increasingly sophisticated forecasting methods. Once approved, the budget becomes a central governance baseline against which performance is measured, and continuation decisions are made.

This practice rests on an implicit assumption: that the future can be predicted with sufficient accuracy for an initial budget to remain a meaningful representation of reality throughout the project's life. Yet projects exist precisely because the future is uncertain. Requirements evolve, technologies mature, markets shift, stakeholder expectations change, and unforeseen events occur. As uncertainty increases, the budget becomes progressively less a description of future reality and more a record of assumptions made at an earlier point in time. Pich et al. (2002) argue, "information inadequacy can arise from both project ambiguity and project complexity" (p 1013), making any initial representation of future conditions inherently incomplete, and "Information inadequacy requires a combination of learning ... and selectionism" (p 1009).

The resulting paradox is striking. Budgets are intended to enable projects by providing financial discipline and governance. At the same time, they can constrain projects by treating an early prediction as a fixed boundary rather than as a hypothesis subject to revision. Projects that continue to create strategic, organizational, or societal value may be delayed, reduced in scope, or even terminated because actual costs diverge from estimates that were never likely to remain accurate. From this perspective, projects are often not undermined by cost overruns themselves, but by governance systems that privilege adherence to initial budgets over the realization of value.

This paper argues that the problem is deeper than inaccurate estimation. It is epistemological. A budget presupposes that the future is sufficiently knowable to permit reliable prediction. Complex projects and programs operate from a fundamentally different premise. They create novelty, generate new knowledge, redefine objectives, and transform the very environment in which they operate. The future they eventually produce is therefore different from the future on which their original budgets were based. As complexity increases, the challenge is not merely that budgets become less accurate, but that they become progressively less appropriate as the dominant mechanism for governing investment and value creation.

Budgets are epistemologically incompatible with governing complex projects and programs

Why Budgets Matter

Budgets occupy a central position in modern project management because they serve multiple purposes simultaneously. They authorize the expenditure of resources, establish financial accountability, provide a basis for planning and control, and enable organizations to compare competing investment opportunities. For sponsors, governing boards, and public authorities, budgets provide confidence that projects are affordable, financially disciplined, and aligned with strategic priorities.

Throughout the project life cycle, budgets influence almost every major governance decision. Business cases rely on estimated costs to justify resource commitments. Portfolio boards compare projects based on anticipated returns and affordability. Stage-gate reviews determine whether projects should continue, be modified, or be terminated, often using budget performance as a primary indicator. Techniques such as Earned Value Management integrate cost, schedule, and scope into a single performance measurement framework, reinforcing the perception that financial performance reflects overall project health.

The importance of budgets extends beyond management practice. Governments rely on approved budgets to demonstrate stewardship of public resources and accountability to taxpayers. Corporations use budgets to allocate scarce capital, forecast cash flow, and satisfy shareholders' expectations. Financial institutions and investors evaluate projects using projected costs, expected returns, and risk-adjusted investment criteria. In each case, budgets provide a common language for governance and decision-making.

The prominence of budgets has also shaped the project management profession itself. Considerable effort is devoted to developing more accurate cost estimates through historical data, expert judgment, parametric models, reference class forecasting, artificial intelligence, and increasingly sophisticated forecasting techniques. Research

into cost estimation and cost control represents one of the largest bodies of knowledge in project management, reflecting the widespread assumption that better predictions lead to better decisions. The Oxford Handbook of Project Management (Söderlund et al., 2011) spends considerable attention on improving forecasting and front-end decision quality. Even perfect forecasting does not solve the governance problem when projects evolve beyond the assumptions embedded in the original budget.

These practices have created a powerful paradigm in which budgets are often treated as objective representations of future reality. Yet budgets are not facts. They are forecasts derived from assumptions about an uncertain future. The more uncertain and complex the project, the more those assumptions become open to question. Understanding why budgets matter is therefore the starting point for understanding their limitations.

Projects succeed through adaptive funding, not adherence to prediction.

Resource commitment is the decision to create value. Funding is the commitment of financial resources. A budget is merely an estimate of what those resources might cost.

The Epistemological Problem with Budgets

Budgets are fundamentally epistemological constructs. They are based on the assumption that the future can be predicted with sufficient accuracy to estimate the resources required to achieve a predefined objective. This assumption is reasonable when work is repetitive, stable, and well understood. It becomes increasingly problematic as uncertainty, novelty, and complexity increase.

This distinction helps explain the different roles of budgets in projects and programs. Projects are temporary endeavors undertaken to create a unique product, service, or result. Although uncertainty exists, they usually have a defined objective, an anticipated completion date, and a scope that can be estimated. Under these conditions, budgets can provide a useful planning baseline, even if they require revision during execution. A budget is fundamentally a prediction. It estimates the resources expected to be required to achieve a predefined objective and therefore assumes that the future can be known with sufficient accuracy. This assumption is reasonable when work is repetitive, stable, and well understood. It becomes progressively weaker as uncertainty, novelty, and complexity increase.

This observation explains why budgets play different roles across different types of initiatives. At one end of the spectrum are projects with relatively stable objectives, defined deliverables, and identifiable completion criteria. Although uncertainty remains, budgets provide a useful planning baseline and support financial governance.

At the other end are programs and strategic transformations, whose purpose is not merely to deliver products but to realize benefits that evolve as organizations learn, technologies mature, markets change, and stakeholder expectations shift. Here, the assumptions on which an initial budget is based become progressively less reliable.

For such initiatives, defining a single life-cycle budget is epistemologically problematic. If duration, scope, and future opportunities cannot be known in advance, neither can the total resources required. Programs are therefore justified by the credibility of their vision and their potential to create strategic value rather than by the accuracy of an initial budget. Funding becomes an adaptive process, with resource commitments revisited as knowledge increases and uncertainty is reduced. The Apollo program, the Manhattan Project, the rapid development of COVID-19 vaccines, and many enterprise transformation programs illustrate this pattern. Strategic commitment preceded accurate knowledge of total cost.

This perspective also challenges the role budgets play in governance. Considerable effort is devoted to estimating costs, monitoring expenditures, explaining variances, and defending budget performance. While these activities strengthen financial accountability, they also consume management attention that could otherwise be directed toward learning, innovation, stakeholder engagement, and value creation. As uncertainty increases, organizations risk spending more effort preserving predictions than creating benefits.

The issue is therefore not whether budgets are useful—they are. The issue is whether they should dominate governance when the future is inherently unknowable. As complexity increases, governance should progressively shift from controlling predetermined budgets toward continually reassessing resource commitments and adapting decisions in pursuit of strategic benefits.

The greater the uncertainty, the weaker the epistemological foundation of the budget.

**As uncertainty increases,
budgets shift from representations of reality to expressions of belief**

Three Experiences that Changed My View of Budgets

My views on project budgets were shaped less by theory than by experience. Three projects, spanning more than twenty years, led me to question whether budgets are always enablers of successful delivery or whether, in some circumstances, they become obstacles to it.

The first experience occurred in 1995 during a fixed-price turnkey project for a German state Ministry of Justice. Originally planned to last three years, the project ultimately required six years and was delivered through a series of staged rollouts. By the end, the customer had paid more than twice the original contract value, largely as a result of successful contract negotiations. The original project budget, however, had been exhausted during the third year, triggering a project crisis and ultimately my dismissal as project manager.

Ironically, the product itself became a major success. It remained in operation for approximately twenty years, served hundreds of users, and generated benefits far exceeding the total resource commitment. During a farewell lunch, my customer counterpart remarked, after hearing how I had managed the budget, “I would have become extremely nervous.” His observation captured the contrast between financial governance and project reality.

When I assumed responsibility for the project, I quickly concluded that both the commercial assumptions and the contractual scope were unrealistic. An eleven-page contract eventually evolved into a requirements specification of approximately 1,200 pages. The budget and schedule had been derived largely from estimates prepared by a subcontractor with no previous experience in this business domain.

I documented these concerns in writing to senior management and repeatedly requested discussions. The response was simply, “What do you want?” Three years later, that email proved invaluable in protecting my position.

Recognizing that the contractual budget and schedule bore little resemblance to reality, I developed my own forecasts and used them to manage the project over the following years. Senior management’s primary concern was not the realism of long-term projections but the achievement of annual financial targets. This experience taught me that budgets can lose their value as management tools long before a project creates its greatest value.

A second experience reinforced a different lesson. Between 2001 and 2002, I managed a program comprising five to six concurrent projects for a major investment bank. Funding was not the constraint. The organization had sufficient financial resources but urgently required new business capabilities to remain competitive. Budgets and schedules were estimated and monitored, but executive attention focused on delivery milestones, quality, and speed. Whenever additional funding became necessary, it was generally approved without prolonged debate. The scarce resource was not money but time.

A third experience demonstrated that funding itself can be adaptive. In 2017, while supporting a PMO, one project had been allocated a budget of €1 million to explore SAP

HANA. Early estimates indicated that approximately 50 percent additional funding would be required, yet the sponsoring department had exhausted its budget. Rather than terminating the initiative, we secured contributions from several other departments whose objectives could also benefit from the project. Minor adjustments to the deliverables aligned the investment with their priorities, and the project was completed successfully.

Taken together, these experiences illustrate three different realities. Budgets may become detached from project reality, money is often not the limiting resource, and successful initiatives frequently depend on adaptive funding rather than adherence to an initial financial estimate. These observations led me to question whether budgets, while essential for accountability, sometimes constrain projects more than they enable them. These experiences did not convince me that budgets are unnecessary. They convinced me that successful projects are governed through continuing investment decisions, while budgets remain only one—and often the least adaptable—of the mechanisms available to support those decisions.

My learnings:

Budgets can become detached from reality

Money is often not the real constraint

Funding is adaptive rather than fixed

Olympic Games: A Different Funding Model

The Olympic Games are frequently used in research as data-rich examples of megaprojects and are often cited as failures due to substantial cost overruns (Budzier et al., 2016; Budzier & Flyvbjerg, 2024). Judged solely against their original budgets, many Games performed poorly. Yet this perspective overlooks an important paradox. Every Olympic Games has opened on its scheduled date, delivered the required venues and competitions, and successfully staged one of the world's most complex international events. Moreover, the Games have generated benefits extending beyond financial returns, including urban regeneration, social cohesion, national pride, international visibility, and the strengthening of sporting institutions. The Olympics therefore illustrate that budget performance and project success are not necessarily the same thing.

The Olympic Games also illustrate that large, complex programs are sustained through continuous resource mobilization rather than reliance on a single approved budget. Funding evolves over many years and is drawn from multiple sources, including host governments, the International Olympic Committee (IOC), sponsors, broadcasters, ticket sales, hospitality, licensing, merchandising,

and transport revenues. Equally important are substantial non-financial resource contributions. Tens of thousands of volunteers support Games operations, while governments provide security, emergency services, public infrastructure, transport systems, venues, and administrative capabilities. Sponsors also contribute technology, equipment, and professional services in kind. (Battista et al., 2024; Holmes et al., 2024; OECD, 2025). The success of the Games therefore depends not only on financial expenditure but on the effective coordination of a diverse portfolio of resources.

Viewed from this perspective, the Olympic Games are not governed by adherence to a single predetermined budget but by the continuing ability to secure, coordinate, and deploy resources in pursuit of strategic objectives. Funding and resource commitment evolve as circumstances change, opportunities emerge, and additional knowledge becomes available. Governance is therefore less about protecting an initial financial prediction than about sustaining the collective commitment required to realize long-term benefits.

The implications extend well beyond the Olympic Games. Large transformation programs, national infrastructure initiatives, research programs, and digital transformations share many of the same characteristics. Their success depends less on conformity to an initial budget than on adaptive governance, continuous resource commitments, and the ongoing mobilization of financial and non-financial resources. As uncertainty increases, governance should progressively shift its attention from controlling budgets toward enabling value creation.

The Olympic Games are often judged as budget failures and operational successes. The contradiction lies not in the Games but in the metric.

A budget measures financial conformance. It does not measure strategic success.

Rethinking Project Governance

Much of the project management literature treats budget overruns as a primary indicator of project failure and consequently focuses on improving the accuracy of cost estimates. A substantial body of research has developed methods to reduce forecasting error, including probabilistic cost estimation, Monte Carlo simulation, parametric estimating, contingency analysis, front-end loading, Bayesian forecasting, machine

learning, and, most prominently, Reference Class Forecasting (RCF). By comparing a proposed project with similar completed projects, RCF seeks to reduce optimism bias and produce more reliable forecasts (Flyvbjerg et al., 2016; Flyvbjerg, 2024). These methods represent important advances over traditional estimating techniques and can significantly improve the quality of financial predictions.

Despite their methodological differences, these approaches share a common assumption: that improving the accuracy of the initial budget will improve project governance. They seek to refine the prediction rather than question whether a fixed budget remains an appropriate governance mechanism under conditions of uncertainty. A comprehensive overview of budget estimation methods in the construction industry is given by Tayefeh Hashemi et al., (2020).

Yet improved prediction does not resolve a more fundamental governance question. What if the original budget is insufficient—not because it was poorly estimated, but because the project evolves in ways that could not reasonably have been anticipated? No forecasting technique, however sophisticated, can create additional resources, anticipate every opportunity, or eliminate uncertainty. As projects progress, opportunities emerge, risks materialize, stakeholder priorities shift, and external conditions change. Under such circumstances, the critical governance challenge is no longer the accuracy of the original estimate but the organization's ability to adapt funding decisions to an evolving reality.

In practice, successful projects rarely rely solely on their initial budgets. They obtain additional funding and resources, redefine scope, reprioritize objectives, mobilize new capabilities, or revise decisions as knowledge increases. Their success depends less on the accuracy of an initial estimate than on the organization's capacity to respond intelligently to changing circumstances.

This suggests that the central challenge of project governance is not simply forecasting costs more accurately. It is governing resource usage under uncertainty. Rather than asking, "Was the original budget correct?", governance should ask, "Given what we know today, does continued resource commitment remain justified?" The emphasis shifts from protecting an initial prediction to continually reassessing value, risk, and resource commitment.

Reference Class Forecasting therefore addresses an important but limited problem: improving the quality of predictions. It does not replace the need for adaptive governance. As projects become more complex and uncertain, success depends increasingly on the organization's ability to make informed resource commitments throughout the life of the initiative rather than on adherence to a budget established before that uncertainty could be understood.

The central challenge of project governance is not forecasting costs; it is governing resource usage under uncertainty.

Implications for Future Research

This paper is conceptual and challenges one of the fundamental assumptions of project governance: that approved budgets should serve as a primary basis for governing projects and programs. Several avenues for future research emerge.

RQ1. How does adaptive funding compare with fixed-budget governance in achieving strategic outcomes in complex projects and programs?

Most project management research focuses on improving the accuracy of initial budgets. Comparatively little is known about organizations that revise funding incrementally as knowledge increases. Comparative case studies or longitudinal research could investigate whether adaptive funding leads to superior value realization, resilience, and stakeholder satisfaction in highly uncertain environments.

RQ2. What governance mechanisms are most effective when projects are managed through evolving resource commitments rather than predetermined budgets?

If budgets become progressively less informative as uncertainty increases, alternative governance mechanisms may be required. Future research could examine how organizations combine milestone reviews, benefits realization, stakeholder engagement, strategic alignment, and resource mobilization to govern projects and programs operating in complex environments.

RQ3. How should project success be evaluated when strategic value and adaptive learning take precedence over budget conformance?

Project success continues to be strongly associated with cost, schedule, and scope performance. Future research could investigate alternative success frameworks that incorporate value creation, organizational learning, adaptability, resilience, and long-term benefits, and examine how these measures influence governance decisions throughout the project life cycle.

RQ4. Under what conditions does adaptive funding outperform fixed-budget governance in complex projects and programs?

This question would allow the paper's central thesis to be tested empirically. It invites research into whether there is a threshold at which uncertainty, novelty, or complexity reduces the usefulness of predetermined budgets and makes adaptive funding, staged

resource commitment, and continuous value reassessment more effective governance mechanisms.

Conclusion

Projects are rarely terminated because they stop creating value. They are terminated because they exceed financial predictions made before anyone knew what the project would become.

Projects should be governed through adaptive funding. Budgets are poor predictions. Programs and projects are fundamentally different in that programs are inherently agile and adapt their resource usage as needed.

Project management has long regarded budgets as indispensable instruments of planning, governance, and control. This paper has argued that this assumption deserves reconsideration. A budget is not a fact but a prediction—a forecast of future resource consumption based on assumptions that inevitably become less reliable as uncertainty increases. The greater the novelty and complexity of a project, the less likely an initial budget is to accurately reflect the future.

This does not imply that financial discipline is unnecessary or that projects should proceed without accountability. Rather, it suggests that governance should shift its emphasis from protecting an initial prediction to enabling informed decisions about resource commitment throughout the life of the project or program. The question should not simply be whether actual costs conform to an approved budget, but whether continued resource commitments remain justified by the value expected to be created.

The experiences described in this paper, together with evidence from major programs such as the Olympic Games, demonstrate that successful initiatives rarely depend on a single approved budget. Instead, they rely on the continuous mobilization of financial and non-financial resources, adaptive decision-making, and the willingness of sponsors to revise commitments as knowledge increases. Funding is not a one-time event but an ongoing governance capability.

Perhaps the most important implication is epistemological. Budgets belong to a worldview in which the future is sufficiently predictable to justify detailed ex ante planning. Complex projects and programs operate in a different world—one characterized by uncertainty, emergence, learning, and adaptation. Attempting to govern these endeavors primarily through adherence to an initial budget risk optimizing for prediction rather than value creation.

The proposition that “budgets kill projects” is therefore not a rejection of budgeting itself. It challenges the belief that an initial budget should dominate project governance.

Budgets should inform decisions, not constrain them. They are one input into governance—not its purpose. Ultimately, successful projects and programs are not those that most closely follow their original budgets, but those that most effectively create enduring value for their stakeholders.

Complex projects and programs should be governed through adaptive resource commitments rather than adherence to predetermined budgets

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Thomas he held a variety of volunteer positions for PMI, including serving as the final juror for the PMI Project of the Year award, a member of the PMI Board nomination committee, an auditor for PMI's Registered Education Provider Program, a writer/reviewer of PMP Exam questions, and a significant contributor to PMI's first standards on Program Management and Portfolio Management. Thomas served on PMI's Ethics Review Committee from 2011 to 2016. He received PMI's Fellow Award in 2012. Thomas has been a member of GPM/IPMA since 1996.

He was elected by PMI membership to serve on the PMI Board of Directors from 2006 to 2011 and for a second term from 2017 to 2019. As a speaker at global project management events in Tokyo, Moscow, São Paulo, Little Rock, and across Europe, Thomas significantly expanded his professional network and is regarded as an experienced and skilled advisor and mentor. He has been an honorary global advisor for the PM World Journal since 2019. Thomas is based in Hackenheim, near Frankfurt, Germany and can be contacted at thwalenta@online.de or www.linkedin.com/in/thwalenta/