How Projects Fail ‘Successfully’
Project underperformance explained by inconsistent conceptions of IT project success

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**Abstract**

This is a case study highlighting dysfunctional management practices arising from inconsistent conceptions of IT project success. It describes an apparently successful project (on-time on-budget), but challenges the traditional assessment by highlighting the fact that the project delivered less than half of what was promised.

The case provides a concrete example for readers to appreciate the much-neglected insight that project management success does not necessarily lead to project success from a business perspective. It provides extensive background information to suggest the cause and remedy for the issue rests mainly with top management. It was conducted over a 17-month period and is based on interviews with key stakeholders followed by an extensive review period leading to a signoff by the organization.

The case is part of a set of five studies undertaken to explore the relative importance of top management support and to understand how they influence projects to succeed. It is reproduced in full in a handbook (HB280:2005) on IT project governance planned to be published by Standards Australia.
Background

TechMedia was established early last century as a semi-government entity to operate in a niche market of the media industry. It was quite a political organisation reflecting the entrenched culture, processes and functional silos that had evolved over its long history.

‘A time traveller from the 1920’s would understand [our] process ... every meaningless clause has its origin in something that went wrong in the past’

TechMedia’s culture was being changed through the appointment of a new CEO from the finance industry. It had been led to commercialisation in the mid 1990s, incorporation by the late 1990s and finally to a listing on the stock exchange.

Technology was one of the main tools underpinning the change. In 1996 it was an almost computer-illiterate organisation. By 2001 it had aggressively used ICT to help grow its revenue by 20%, and reduce staff by 10%.

‘In 1996 we were under-invested in IT. We were using felt pens & overhead projectors, we had no e-mail, only a few people had voicemail and none of our professional staff had PCs. All memos were hand written and passed to a whole floor of PC operators for typing.’

Project Initiation

The year 2000 (Y2K) provided a convenient trigger to replace the financial system and further modernise the organisation. The existing financial system had been neglected and a CIO was appointed to help deal with the issue.

‘We had [our old system] from 1990-91. We didn't keep it up to date with upgrades ... by 1997, when Y2K was first talked about, we realised that [it] would need too much work to be Y2K compliant.’

The CEO was focused on the higher-level objective of listing on the stock exchange but he recognised Y2K compliance was an important intermediate step. The project had to succeed so that he could ask the board for more funding to seek listing. He felt that he was too far away from the operations to be heavily involved in choosing a new
system but he knew that ownership and commitment from the business was crucial. A steering committee of the organization’s most senior managers chaired by the CFO evaluated options ranging from $250,000 a work-around to a $10M Enterprise Resource Planning (ERP) system. They interviewed between 25 to 30 of the major vendors and found that although financial systems would solve the immediate Y2K issue neither they nor the small ERP systems had the functionality to support TechMedia’s operational activities. It seemed only the big ERP systems had the functionality to underpin their growth eg. project management, sales/ call centre, revenue collection.

**Package Selection**

The board agreed with this assessment and various members of the steering committee travelled to sites around the world to investigate different implementations. The ICT people had originally favoured one ERP system while the business people favoured another. It was only after significant drop in price and a visit to the product strategists in the head office was a consensus reached on the second ERP.

The steering committee were attracted to the second ERP package because it ‘it could do everything you could ever want it to do’. They believed the process management features in the next release and the strategic direction of the product would better support the nature of TechMedia’s business. They recommended implementing the current release as an intermediate step to meet Y2K requirements.

**Board reluctantly convinced**

The preferred choice was presented to the board, but ‘they were not convinced we could pull it off because they had all been bitten by an IT disaster in the past’. They initially needed to be convinced that buying a future product was a good strategy and then they kept asking for more figures and delayed making the decision for around 12 months.

A senior manager felt strongly that the board should have made a decision earlier.

‘They vacillated. They could have decided to upgrade [the existing package] earlier ... In this case there was a lack of action. Decisions were almost made and then more
Consultants were engaged to help justify the decision. They helped senior managers identify and individually sign off against $6 million of benefits to be realised over 5 years. The consultants reported ‘these savings as conservative … reflecting only 50% of the available savings’ but added, ‘[TechMedia] will need to re-engineer their processes to take advantage of the opportunity offered in the technology selected’.

The proposed budget of $10M was sold to the board partly on ‘the mantra of survival’ and partly on ‘the huge benefits of ERP’.

The board ‘was eventually forced into making a choice by Y2K’ but the delay ‘reduced the amount of time available to implement’.

**The Project – stated and unstated objectives**

Within the steering committee the CFO had never been a particularly active sponsor and the CIO had led much of the evaluation activity. It had become apparent that the project would affect much more than finance and the role of the project sponsor passed to the COO.

It was decided to implement in two stages. Stage 1 was to replace the financial system to meet Y2K compliance. Stage 2 was to follow and implement the other requirements.

One manager described stage 2 as ‘less important’ but in fact would be where most of the benefits of the board justification document would be realised. The problem is that the general strategy of the organisation had being developed by relatively few people at the senior level. The project had been justified to the board for its business benefits but it was justified to the organisation for its technical advantages. There was no consensus in the organisation of exactly what was needed and none of the interviewees explained the selection criteria in similar terms.

‘*We never really understood why the ERP was selected or what it was supposed to achieve.*’

‘The hot points of ERP were that we had 23 different systems, of which only a few talked. The sales talk was about replacement of 23 with one’
Organisational commentators said, ‘it was a snow job from the IT people... they wanted the ERP on their CV’. Another said they were ‘wined and dined to assist decision-making’. One of the interviewees added ‘[it might have been better] to spend it on a CRM, a document management system, or a web based intra/extranet system. They are more important to a knowledge business like ours’.

‘Business was looking for an ERP to show the rest of the world we are big enough to get an ERP ... it was a symbol of company maturity and size and signalled our coming of age.’

The CEO acknowledged the financial management functions ERP were not ‘fundamental to the organisation’ but said, ‘even so ... I would do at all again’. The feeling expressed by many at senior manager level is that ‘[despite the problems] it was a good investment that has served the organisation well.’

**A false start …**

An aggressive nine-month deadline was set for the implementation of Stage 1. A large project team of 34 staff and consultants was proposed. The consultants stressed that selection of key staff, and empowering the project manager with resources and direct access to the CEO was critical for success. However the contract was not signed. The consultants were unwilling to sign TechMedia’s standard contract where the contractor would assume some risk for not meeting Y2K compliance.

When the contract was re-tendered to two other consulting organisations, the winning bid emphasised the use of their methodology to realise benefits. However they could not commit to three of the originally promised benefits. The board accepted this change because the promised benefits were still more than that expected from simply upgrading the old system.

**Stage 1**

Three months were lost re-tendering the project but TechMedia was not able to extend the Stage 1 deadline beyond the original 1 July target because of limitations in the existing system. There was no choice but to implement the accounting module in only six months. Detailed performance bonuses were put in place for on time
implementation. The bonuses included senior managers through to the project team and including the consultants.

The project manager was reported to be very effective.

‘The project manager was very strong’ and ‘would cause personality conflicts and not care in order to get the job done.’ ‘He pushed politics to the limits ... arranging to report directly to the CEO instead of to the CIO’

‘The project team were chosen internally because of their expertise. Incentives were in place, and we knew it had to be out by go live ... They were strong, passionate and worked many late nights ... as a team for Stage 1, we worked really well.’

Many project team members also acknowledged the value of the consulting input. ‘In addition to [our high calibre staff], the consultants provided a methodology’

‘The consultants really assisted, they helped with templates.’

The project was driven by technical considerations and focused on meeting the go-live date. Organisational issues were marginalised although there were many communication and change management initiatives e.g. newsletters, a focus on key users, certificates, presentations, user testing celebrations, a web site as an introductory mechanism to familiarise staff with consultants, badges to identify team members to the organisation, and go-live countdown days displayed on staff PCs.

‘There were only 1½ people on the people side [and 34 on the technical side]’

Apart from the CEO and project sponsor making regular visits to the project room there was little other direct managerial support. This became an issue when some staff expressed the concern that they were going to lose their jobs. ‘Management were not prepared to say that they had made a decision ... I had to check with the CEO myself and then tell people their jobs were safe.’ This interviewee felt that senior management lost an opportunity because they didn't put their ‘name to the newsletters.’

‘The ERP is a big program, it sits everywhere. Y2K was only one issue. Top management knew about it, but wasn't well communicated to staff [who needed to know] facts about consultants, team, implementation, etc. Not all managers communicated to staff...’
'It was seen as a technical implementation [to reduce systems] rather than process improvement.’ An action item was minuted for one of the steering committee members to liaise with a re-engineering project that had commenced prior to the ERP implementation. Despite this not one of the interviewees mentioned the re-engineering project. The CEO himself said, ‘this was never a re-engineering project’

**Stage 2**

**Steering committee minute:**

RP noted the continued efforts by project team members in addressing Stage 1 issues resulted in a drain upon the Stage 2 resources. He opinioned this was due to TechMedia not taking ownership of the [ERP] system, not encouraging user understanding and requiring the project team to continue to fill the support void. This point was disputed by a number of ... committee members.

By Stage 2, ‘the team was tired’ and the issue of ownership was causing many difficulties. A project team member was in charge of delivering answers to questions from the shop floor but after it was implemented in Stage 1, ‘she couldn't do it over and over again and still work on Stage 2. She needed a meeting with the director and associate director to communicate that after Stage 1 that key users were the people to contact not her. She needed to tell them to take ownership.’

‘Management were reluctant to get involved. It was sometimes difficult to get sign offs for software design changes and almost impossible to get commitment for changes in the business process. As a result, too many customisations were made to the ERP package to make it fit with the existing business processes.’

Sometimes there was ownership, but accountability for the results may not have been thoroughly considered. It was reported that during Stage 2, some business users were pressured to sign off on design specifications that wouldn’t even provide the functionality of the existing system. When queried about this one of the business unit managers said, ‘At the time, it seemed like the way to go’.

A senior manager was particularly difficult. He would always state that he was committed to the project but he allowed the ERP to be implemented in his area with a number of shortcomings. Because of his seniority, the project team was unable to force issues with him. He disagreed with some of the early design decisions and felt
that he was ‘being shouted down by the other members of the steering committee’. He withdrew psychologically from the process and eventually left. His replacement couldn’t understand why processes in his area had not been reengineered and started to blame the system, which was significantly slower than expected. The CEO was briefed on the issue, but it did not become clear to the CEO that he had to intervene until it was too late.

User acceptance was delayed because the technical problem took almost nine months to resolve. However, the entrenched culture of TechMedia appears to have compounded problems. Two similar functions were performed in different functional groups but ‘the groups didn't communicate to realise that they should have integrated … and what happens now is that information has to be double entered.’ A number of major reengineering initiatives in one division were not going well and senior managers concluded that too much was being attempted at one time and some initiatives had to be deferred. The board accepted management’s assessment of the situation but were quite unhappy that the technical functionality had been implemented without the benefits being delivered.

Minutes of the steering committee noted two major risk items for the entire length of the project. Mitigating actions were never taken, both risks eventuated and the predicted difficulties occurred.

The first of the major risk items was the likely loss of key staff. No action was taken to find an interesting post-project role for them. A number of interviewees believed that some managers felt threatened by how much they would have to pay to retain their ERP expertise so they allowed budget restraints to prevent them from dealing with the issue. Key staff left as predicted and when enhancements were attempted after the project, the absence of people who understood business process interrelationships ‘doubled or trebled the time needed to make changes’.

The second risk is less visible but probably more costly to the organisation. Every steering committee meeting minuted that an operating division manager should liaise with the other two divisional managers and explore further opportunities. The operating division manager had identified $500,000 of savings in his area and the steering committee thought it was quite likely that same opportunity existed in the other two divisions. This action item was never closed and there is no evidence that it
ever happened. It looks as if the other two managers did not want to participate. The option to realise another $1,000,000 of benefits was lost.

**Outcomes**

Stage 1, to replace the financial systems to meet Y2K compliance, was an outstanding success and the project is used as a reference site by the vendor. ‘It was the fastest implementation in the world with not even one day of trading lost … Testing had been done, training had been done. The customer service people went live with the new system straight away.’

The outcomes from Stage 2, implementing the other requirements, could be interpreted as a success, a partial success or a failure depending on the expectations. The CEO believes it was a success despite not delivering on all the benefits presented to the board. For him, the board presentation was just a hurdle to be jumped because his objective was listing on the stock exchange and he never thought of the project as a re-engineering project to realise financial benefits.

‘The CEO wanted the project to be the catalyst is for the organisation to be more vibrant. Managers didn't see the vision. Only three years down the track do people see it.’

One manager commented, ‘We have not yet realised business intelligence available from consolidation ... one of the main benefits looked for by the organisation.’

There has been a 100% adoption rate but some users report, it was not a success because there is less functionality than before, there should have been more integration and in one department administrative work takes 3-4 times longer and has reduced the ability to do productive work. Some believe last years decline in profit could be directly attributed to the lost productivity instituted by the new system (The available data could neither confirm nor disprove this statement). It seems adoption rate is a meaningless measure because it is an enterprise wide system; users have little choice.

In terms of the business case presented to the board, some benefits have definitely been delivered. A post-implementation review, 2½ years after the implementation, has
found around half of the promised benefits are expected to be realised. This is less than a quarter of the benefits suggested in the business case. The project sponsor said:

‘Benefits have been delivered, but there could have been more. Time was too short, and making up for mistakes has taken too much time ... the project has 60 percent success rate, but wasn't 80 percent because of [ownership]’

From a strategic perspective the organisation is lagging behind its original vision. At the time of writing, the process management features in the newest release of the ERP had been available for 18 months, but the organisation had no immediate plans\(^1\) to implement it. A manager explained it as partly ‘a matter of timing’ but to some extent ‘the organisation has lost some confidence in its ability to realise the benefits ... and [in the absence of benefits] it is hard to justify the additional cost’.

In hindsight many managers realised they had convinced themselves that if their many different systems were eliminated and replaced with ‘an all-singing all-dancing system’ the benefits would just get delivered automatically. All of the interviewees raised the issue of ownership and many were very strong in stressing this point. A senior manager said

‘You can’t overemphasise internal management commitment... you can measure success by the passion of management.’

‘Lack of ownership was the key factor in the non-delivery of expected benefits. Ownership is critical. If you have real owners, projects will be successful

\(^1\) In fact the many customisations made during the implementation made it very difficult to apply software patches to fix bugs without considering upgrading the latest version.