Why IT projects fail

IT directors who push suppliers for the lowest possible price could find out too late that the cheapest option is not necessarily the most cost-effective. This second report from the exclusive Computer Weekly roundtable, in association with specialist technology insurer Hiscox, explores the relationship between cost and risk and how to get the best from a project

KEY POINTS

- Reducing uncertainty is key to managing risk in early stages of competitive tender
- Customers introduce risk by failing to estimate the extent of the contract put to tender
- Failure emphatically contingent on management, rather than on the IT element

Although contract, change and risk management were all seen as key components for a successful project, as Deloitte partner John Reeve suggested, cost is often a mitigating and limiting factor where the cheapest offer is not always the best. Neil Cameron, consultant and owner of Neil Cameron Consulting, suggested: "Sometimes clients can engineer in risk by driving the lowest price and excluding the suppliers that might be better suited to their needs." To which Naresh Mohindra, freelance consultant and formerly a director at EDS, responded: "That's why it's important to have a comprehensive RFI [request for information] process. Think about what the major areas of uncertainty are and try to solve those before the contract is signed. That should be the focus of the dialogue and help give clarity on price and certainty around risk.

"But unfortunately that part of the dialogue in the competitive process and design of the solution is often not pushed enough. That can lead to uncertainty going forward into the programme and indirectly create risk where, once you're in the project and everyone is committed, there's no getting out."

Giles Sirett, Octavia Information Systems chief executive officer, added: "Doing a bit of root-cause analysis, I think the tendering process itself is partly to blame, in terms of all the things we've discussed. We all want to make sure we meet deadlines and want to make sure we're in among the rest of the players with the best price. But that can lead to a contract that may have been rushed as a result and only considered from a commercial point of view."

Thomas Jeffs, Lucidica chief technology officer, took up this point: "The supplier community isn't completely innocent in all of this. You see contracts that contain elements that shouldn't be in that contract. It's often been pared back and pared back so it's affordable for the customer, where missing elements are left to change control [processes] further down the line."

Peter Cocks, Consulting Stream vice president of sales and operations

played devil's advocate: "I've worked on the vendor or client side and so understand both perspectives," he said. "But, for my part, a lot of problems do start up-front, where the client doesn't fully scope requirements. They are rushing to get the business case fully signed off and rush into procurement without fully thinking about what it is they want.

"If it's that they're operating desktops and they just want someone to come in and install basic hardware, that's one thing. If it's a longer-term development programme, they have to think very carefully about how to weight the different factors when coming to choose a supplier. And quite often, the focus is all on the technology and compliance and not enough on the process."

Get the best from a project

Cocks suggested getting the suppliers involved in the project scoping process as early as possible would help to understand the weighting of requirements to meet during the bid selection process. As well as agreeing selection criteria up-front, he added that these should be immovable throughout the rest of the project, to provide a strong foundation for prioritising and dealing with issues as they arise.

But the attendees had plenty of cautionary tales of what can go wrong if this process was not followed. "In some cases there is only funding for a year of the project, and what happens after that is all the people doing risk and contract management get cut," according to Reeve.

Simon Aaron, Eurodata Systems managing director, suggested: "Or they cut out training and the end users don't get engaged."

Doug Cubin, managing director of geospatial solutions development firm, GIS Coordinated, said: "We may work in a bit of a niche area, but we use the Agile methodology because it is a good way of engaging users from day one – including the contract and design. It allows you to deliver rapid iterations, giving you an opportunity to update the design or scope during the change management process and perhaps slightly reduce the amount of time spent on the contract.

"And it means you don't have to wait two years for something to get delivered that might already be out of date."

Niall Ramsey, director and founder of IT consultancy, QCOS, agreed with Cubin, but added: "Development methodologies are all about the 'pull'. But at management level it's all about the 'push,' determining what business resources are going to be required and when. And, in terms of cost, you're getting up to between three and five times the cost of the technology alone."

Meanwhile, Cameron observed: "The difference between private and public sector is that, in the public sector, you have to use project or development frameworks even if they are not necessarily relevant."

Cocks added: "You have to remember the likes of PRINCE2 [project frameworks] are toolkits and you have to use the bits that are relevant."

Whatever methods are used to scope the contract or deliver IT projects, all the attendees agreed that failure had a tendency to stick in people's minds longer than any successes and that, again, communication from management had a key mitigating role to play.

Neville Brown, Itica Consulting managing director, said: "Generally speaking people don't go to work to be incompetent. But it's up to management to work out which person should be in the right slot for their skills and how they set the project up. It can come down to how much they care and how much they don't, which can be a serious problem that can also highlight a bigger disconnect between the business and IT."

At this point, Cocks added: "Any failure is not usually down to one event, but a series of incremental events. So it's important to have a communications structure that allows for people to flag things early, before they escalate."

People and processes

Strangely enough, for a discussion about IT project failure, overall the IT element featured relatively low down the list of priorities for ensuring maximum success and mitigating failure. As in so many IT-related areas, it was the people and process part of the equation that received most attention.

In particular, the realistic contract scoping and negotiation processes were considered essential to build a good foundation for a project, while having the right people and methodologies in place to drive the project were key to mitigating risk, managing change and avoiding scope, timescales or budget creep.

From the competitive tender with the sales teams, through to the cultural and communication considerations, the attendees agreed that getting the right people in place at the right times throughout the lifecycle of the project was the most powerful differentiator between successful and failed IT projects.

As Reeves said: "Create a culture of truth." And Mohindra suggested prioritising "clarity of purpose and appropriate governance throughout the lifecycle of the project".

Jeffs stressed the importance of incentivising project members over the long term and Loomes balanced this, saying: "But build in deliverables in the short term so people don't lose sight of the main goals."

Having the right leaders in place, it seems, takes an important towards to ensuring these elements are in place to avoid IT project failures. ●

25 years of government IT project failure
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