

[ Failure Rate ] [ Failure Causes ] [ Project Specificities ]  
 [ Success Assessment ] [ Failure Examples ]



## Failure Examples of IT projects

**Truth comes out of  
 error more easily than  
 out of confusion.**

**Francis Bacon**

About Us

Core Tenet

Consulting Svcs

Project Recovery

Web Development

CSF

FAQ

Contact Us

Site Map

Intranet

Gathering examples of IT project failures is not hard. What is hard is to get a fair assessment of the issues and reliable figures on the extent of the failure. What is even harder is to get all the project protagonists agree on what caused the failure and where the responsibilities lie (they can of course lie outside the project team). Of course, every project insider or outsider has his own version and those versions, almost inevitably, "cancel out".



IT project failure has to be looked at with extreme humility. Project managers are generally bright, experienced, motivated and knowledgeable. When a project is deemed strategic the best resources are generally pulled in. And sometimes - even **quite frequently** if we look at the statistics - it fails, thereby demonstrating that good ingredients are not sufficient to make up a good mayonnaise.

To illustrate our point that IT project failure is not just occasional a few impressive examples are presented hereafter. The best documented project failures are the ones involving "public money". The more "public" the money is, the more likely it is that it will be published and, more importantly, documented and quantified, mostly in Anglo-Saxon literature.

- In February 1988, hardware problems caused the Bank of America to lose control of several *billion* dollars of trust accounts. All the money was eventually found in the system but **all 255 people - i.e. the entire Trust Department - was fired as all the depositors withdrew their trust money.**
- The first night where the US Fed's new system went live, it lost control over 28 *billion* dollars in transfers and awarded interest to the wrong member banks. Interestingly, the member banks only reported \$24 billion dollars in errors the next day.

*US state DMVs (Department of Motor Vehicles) deserve a special mention. Three of them stand on our casualty list.*

- In 1987, the California Department of Motor Vehicles (DMV) launched a major project to revitalize their drivers license and registration application process. By 1993, **after \$45 million dollars had already been spent, the project was cancelled.**
- In 1993, the *Oregon Department of Motor Vehicles* embarked on what was to be a five-year, \$50 million project to automate its mostly manual and paper-based operation. The project was justified on the ground that this automation would enable the DMV to downsize its workforce by one-fifth and save over \$7.5 million annually. **Two years later, the five-year project's completion date crept to 2001 (60 % slippage), and the estimated total budget ballooned to \$123 million (146 % slippage).** Finally, in 1996, a prototype was rolled out, but, according to one consultant brought in to examine the project, the system was fired up on a Monday, and by midweek the DMV test office had no longer lines than ever backed up

around the block. The new system was a total failure. Soon after, **in response to public outcry, state officials killed the project**. In the aftermath, the only serious downsizing was of the DMV officials who oversaw this disaster.

- In March 1997 the state of Washington killed the biggest IT project in its history, the License Application Mitigation Project (LAMP). aimed at automating the state's vehicle registration and license renewal processes. The scrapped project began in the early nineties and was supposed to be online in 1995. It planned to create a relational, client-server system using IBM's MVS/CICS architecture. **Initially budgeted at \$ 16 M, the project cost climbed to \$ 41.8 M in 1992, \$51 M in 1993 and was last estimated (March 1997) at \$67.5 M of which \$40 M had been spent without result**. In 1993, LAMP faded when it became clear that it was doomed to be a colossal money-waster and even if the plug had not been pulled it would have been much too big and obsolete by the time it was finished. LAMP was turned off in 1997, after legislators calculated that **the project ultimately would cost \$4.2 million more annually to run than the state's \$800,000 per year incumbent system**.

*Those three DMV projects were very similar. They do not require rocket science. There exist much bigger and more complex IT applications than driver licenses and registrations management. But those three projects together squandered more than \$ 100 million of public money.*

- In early 1993, the *London Stock Exchange* abandoned the development of its Taurus paperless share settlement system after more than 10 years development effort was wasted. The Taurus project manager, Elliott Manley,

estimates that, when the project was abandoned, it had cost the City of London over £800 million (although the Financial Time of Nov. 3, 1993 reports losses of "only" £400 M - this also points out how hard it is to get accurate financial figures on IT project cost, especially *failing* IT projects). Its original budget was slightly above £6 million. **Taurus was 11 years late and 13,200 percent (yes, 132 times) over budget without any viable solution in sight.**

- In the case of the computer-aided dispatch system for the *London Ambulance Service* developed **between 1987 and 1993**, the problem was not so much one of excessive budgets or project delays. The issue was rather the usability of the system that leads to its final failure reported as follows: "...at 2AM on Wednesday, Nov 4, 1993, the system slows down considerably and then locks up altogether. Rebooting does not solve the problem. The automatic back-up system also fails to come on-line. A decision is made to revert to purely manual methods".
- In 1994, American Airlines settled their lawsuit with Budget Rent-A-Car, Marriott Corp. and Hilton Hotels after **the \$165 million CONFIRM car rental and hotel reservation system project was dumped.**
- In the '80s, independent Blue Cross licensees (US Health Care Insurance) found themselves in a major consolidation mode. Big ones were swallowing up little ones, and the newly massive companies that resulted had to merge disparate claims-payment systems. One of the biggest blue sharks in the water decided to develop a major new IT system that could grow along with the company, which was looking to expand beyond health care. The company brought in a major consultancy,

conducted a study, made recommendations and signed an acquisition contract for a new claims system. 75 IT specialists were put partially on the project. For the \$8 billion company it made sense spending \$5 million to \$15 million over two to three years to complete a "business critical" project. After plowing for one year the project was eventually killed and the legacy systems were revamped.

- **Prudential Europe has terminated a \$50 million contract with Unisys** following the collapse of its Unite project, which aimed to deliver real-time processing of policies and pensions over the Internet. The Prudential has referred to serious concerns about Unisys' ability to deliver on its obligations. The "go live" date had been delayed to the next calendar year without commitment on a firm date. Prudential stated that this delay did not fit with its business plans and sales targets. Unisys argued that some specifications and requirements were not signed off or fully defined by Prudential.
- In 1991, the Passport Office kicked off a project to automate their entire production process for Canadian travel documents. The actual work that led to the development of a multi-year project pompously labeled "Technology Enhancement Plan (**TEP**)", began by the end of 1992. **Initially, the TEP project was expected to be completed in two years after the fall of 1993 at a total cost of \$15 million.** After several years of development, **the system is scheduled for implementation in 1999. The total project cost, as approved by Treasury Board Secretariat and the Department of Foreign Affairs and International Trade, was estimated at \$32.5 million** before the millennium bug readiness review.

Going over time and over budget is not a prerogative of *IT* projects alone. It is common to all large projects.

- The *channel tunnel* was budgeted at \$7 billion, but it entered service in the second half of 1994 with a price tag of \$13 billion. In 2002 it was still burdened by \$9.3 billion in debt, supported by a mere \$3.7 billion equity.
- London – *Canary & Wharf* 1993 – owner Olympia & York (the Reichman Brothers.) initial cost of project \$3 billion; final cost \$5 billion, resulting in the bankruptcy of the Reichman brothers.
- Paris – *EuroDisney* 1989 – 1992. Initial cost of the project \$2.25 billion, final cost \$4 billion.

Should you want to share with us *factual* documentation over failing IT projects do not hesitate to [contact us](#). This would be more than welcome.

[Back to top](#)

© [IT Cortex](#)

[ [Failure Rate](#) ] [ [Failure Causes](#) ] [ [Project Specificities](#) ]  
[ [Success Assessment](#) ] [ [Failure Examples](#) ]