

One in six IT projects are 'ticking timebombs'

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A surprisingly high number of business and government technology projects are 'ticking time bombs', according to researchers at the University of Oxford. They analysed 1,500 global projects that had revamped their information technology systems within the last 10 years. They discovered that one in six projects in the sample went over budget by an average of 200 per cent (in real terms) or over ran by an average of almost 70 per cent.

In what is believed to be the largest global study ever of large IT change initiatives, researchers have spent the last two years examining nearly 1,500 projects with each [project](#) being an average size of 170 million USD. They compared their budgets and estimated performance benefits with the actual costs and results.

Although the research drew heavily on public agencies and US based projects, there was little difference between them and projects at government agencies, private companies and the European organizations that made up the rest of the sample.

They conclude that IT projects routinely cost investors and taxpayers billions of dollars, pounds and euros in excess spending and destroyed benefits, and have sunk entire companies and the careers of top managers.

The IT sector was found to be two to three times more likely to have IT projects spiralling out of control than building and construction companies dealing large infrastructure projects. In fact, IT projects were 20 times more likely to run out of control than expected according to standard risk management models.

The research was carried out by the Saïd Business School's BT Centre for Major Program Management in collaboration with global management consulting firm McKinsey and Company.

They conclude that the risk increases in line with the size of the project and its growing complexity. They found although the average overrun was only 27 per cent, one in six projects were 'black swans' - where rare, unexpected events of huge proportions occurred where the risks should have been more obvious from the start.

Common IT pitfalls included companies that are already facing serious difficulties being hit by an out of control technology project at a time when they can least afford it; engineers and managers in charge of project development not having enough understanding of how to implement the new technology; and problems of software compatibility.

Principal investigator Professor Bent Flyvbjerg, BT Professor and

Founding Chair of Major Program Management, said: "We were shocked when the data came in and we learned that large IT projects are 20 times more likely than normal projects to spin out of control. IT projects are now so big and touch so many aspects of business, government and citizens' lives that this poses a singular new challenge for top managers.

"Any company contemplating large technology projects should ask whether the company is strong enough to absorb the hit should it go over [budget](#) by 400 per cent. Although this figure may seem excessive, as our research shows costs such as these can occur all too frequently."

Jürgen Laartz, Director at McKinsey and Company, said: "The results are a wake-up call for top managers considering significant IT projects. Our experience shows that IT projects are often not managed the right way. The new research tells us why, so we can fix the problem and take IT project management to a new, more professional level."

McKinsey is working with Professor Flyvbjerg and his team at Oxford University to develop new tools that will help managers to identify and avoid IT projects running out of control.

Provided by Oxford University

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