

Infamous IT Project Failures

Internal Revenue Service

PROJECT: Business Systems Modernization; Launched in 1999 to upgrade the agency's IT infrastructure and more than 100 business applications.

WHAT HAPPENED? By assembling a star-studded team of vendors, the IRS thought its \$8 billion modernization project would manage itself. The IRS thought wrong. As a result, the agency's ability to collect revenue, conduct audits, and go after tax evaders was severely compromised. This case study illustrates what can go wrong when a complex project overwhelms the management capabilities of both vendor and client. Some consider it to be the most expensive systems development "fiasco" in history, with delays costing the U.S. Treasury tens of billions of dollars per year.

Source: <http://www.cio.com/archive/040104/irs.html>.

Federal Aviation Administration

PROJECT: Advanced Automation System (AAS); FAA's effort to modernize the nation's air traffic control system.

WHAT HAPPENED? AAS was originally estimated to cost \$2.5 billion with a completion date of 1996. The program, however, experienced numerous delays and cost overruns, which were blamed on both the FAA and the primary contractor, IBM. According to the General Accounting Office, almost \$1.5 billion of the \$2.6 billion spent on AAS was completely wasted. One participant remarked, "It may have been the greatest failure in the history of organized work."

Source: <http://www.baselinemag.com/article2/0,1540,794112,00.asp>.

Federal Bureau of Investigation

PROJECT: "Trilogy;" Four-year, \$500M overhaul of the FBI's antiquated computer system.

WHAT HAPPENED? Requirements were ill-defined from the beginning and changed dramatically after 9/11 (agency mission switched from criminal to intelligence focus) thus creating a strained relationship between the FBI and its primary contractor, SAIC. As Senator Patrick Leahy (D-Vt.) stated, "This project has been a train wreck in slow motion, at a cost of \$170M to American taxpayers and an unknown cost to public safety."

Sources: <http://www.cio.com/archive/061505/gmen.html>,
<http://www.npr.org/templates/story/story.php?storyId=4283204>,
<http://www.washingtonpost.com/wp-dyn/content/article/2005/06/05/AR2005060501213.html>.

McDonalds

PROJECT: "Innovate;" Digital network for creating a real-time enterprise.

WHAT HAPPENED? Conceived in January 2001, Innovate was the most expensive (planned to spend \$1 billion over five years) and intensive IT project in company history. Eventually, executives in company headquarters would have been able to see how soda dispensers and frying machines in every store were performing, at any moment. After two years and \$170M, the fast food giant threw in the towel.

Source: <http://www.baselinemag.com/article2/0,3959,1173624,00.asp>.

Denver International Airport

PROJECT: Baggage-handling system.

WHAT HAPPENED? It took 10 years and at least \$600 million to figure out big muscles, not computers, can best move baggage. The baggage system, designed and built by BAE Automated Systems Inc., launched, chewed up, and spit out bags so often that it became known as the "baggage system from hell." In 1994 and 1995, the baggage system kept Denver's new airport from opening. When it finally did open, the baggage system didn't. It was such a colossal failure that every airline except United Airlines refused to use it. And now, finally and miserably, even United is throwing in the towel.

Sources: <http://www.msnbc.msn.com/id/8975649/>; BAE Automated Systems (A): Denver International Airport Baggage-Handling System, Harvard Business School Case #9-396-311, November 6, 1996;
http://www.computerworld.com/managementtopics/management/project/story/0,10801,102405,00.html?source=NLT_AM&nid=102405.

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AMR Corp., Budget Rent A Car Corp., Hilton Hotels Corp., Marriott International Inc.	PROJECT: “Confirm;” Reservation system for hotel and rental car bookings.
WHAT HAPPENED? After four years and \$125 million in development, the project crumbled in 1992 when it became clear that Confirm would miss its deadline by as much as two years. AMR sued its three partners for breach of contract, citing mismanagement and fickle goals. Marriott countersued, accusing AMR of botching the project and covering it up. Both suits were later settled for undisclosed terms. Confirm died and AMR took a \$109 million write-off. Sources: http://sunset.usc.edu/classes/cs510_2004/notes/confirm.pdf http://www.computerworld.com/computerworld/records/images/pdf/44NfailChart.pdf	
Bank of America	PROJECT: “MasterNet;” Trust accounting system.
WHAT HAPPENED? In February 1988, hardware problems caused the Bank of America (BoFA) 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—were fired, as all the depositors withdrew their money. This is a classic case study on the need for risk assessment, including people, process, and technology-related risk. BoFA spent \$60M to fix the \$20M project before deciding to abandon it altogether. BoFA fell from being the largest bank in the world to No. 29. Source: http://sunset.usc.edu/classes/cs510_2001/notes/masternet.pdf.	
KMart	PROJECT: IT systems modernization.
WHAT HAPPENED? To better compete with its rival, Wal-Mart Corp., in Bentonville, Ark., retailer Kmart Corp., in Troy, Mich., launched a \$1.4 billion IT modernization effort in 2000 aimed at linking its sales, marketing, supply, and logistics systems. But Wal-Mart proved too formidable, and 18 months later, cash-strapped Kmart cut back on modernization, writing off the \$130 million it had already invested in IT. Four months later, it declared bankruptcy. Source: http://www.spectrum.ieee.org/sep05/1685.	
London Stock Exchange	PROJECT: “Taurus;” Paperless share settlement system.
WHAT HAPPENED? In early 1993, the London Stock Exchange abandoned the development of Taurus after more than 10 years of development effort had been wasted. The Taurus project manager estimates that, when the project was abandoned, it had cost the City of London over £800 million. Its original budget was slightly above £6 million. Taurus was 11 years late and 13,200 percent over budget without any viable solution in sight. Source: http://www.it-cortex.com/Examples_f.htm.	
Nike	PROJECT: Integrated enterprise software.
WHAT HAPPENED? Nike spent \$400 million to overhaul its supply chain infrastructure, installing ERP, CRM, and SCM—the full complement of analyst-blessed integrated enterprise software. Post-implementation (3rd quarter, 2000), the Beaverton, Ore.-based sneaker maker saw profits drop by \$100 million, thanks, in part, to a major inventory glitch (it over-produced some shoe models and under-produced others). “This is what I get for our \$400 million?” said CEO Phil Knight. Source: http://www.cio.com/archive/081502/roi.html.	