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Why IS Projects Fail? Some Finnish Aspects to the Global Phenomenon

Reino Myllymäki @ 26.7.2012 @ ECPPM 2012 Reykjavik, Iceland

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The Man – Reino Myllymäki, M.Sc. (civil engineering)

- >20 years in the leading construction company of Finland (YIT Corporation) in business development and IT Management.
- After that he has helped a lot of companies in their challenges regarding business development, information system development, IT governance etc.
- The main author of CxO's books and a partner of the company.
- Chairman of IT Forum & Editor-in-chief of IT Management Handbook.
- Tietoviikko Magazine has selected him among the 100 opinion leaders in ICT in Finland annually since 2008.

CxO

The Company – CxO Mentor Oy

- Provides professional mentoring services and peer groups to leaders and their organisations.
- The basis is the most competent mentor network in Finland by >130 mentors.
- Established 2010 and it is the leader in its business sector in Finland.
- Third book is under construction.

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About this paper

- Research work begun early 2009 by collecting case stories about unsuccessful IS projects.
- A lot of stories and reports have been studied and interviews made.
- Case stories were analysed against the CxO Development Project Model.
- First articles and presentations were published 2009 and books 2010 & 2011.
- This paper will answer to three questions:
  - How often do IS projects fail?
  - Why they fail?
  - Do there be any ways to ensure project success?

How often does IS project fail?
Is there any problem?

- According the Chaos Report of the Standish Group (2009):
  - 35 % were successful
  - 20 % were failed
  - 45 % were between them: challenged
  - 65 % were either failed or challenged = unsuccessful
- The Standish Group (2009): only 2 % of big projects were successful!
- Panorama Consulting Group (2008):
  - 64,2 % of large organisations' and
  - 59,5 % of SMBs' ERP projecs cost were overran > 5 %
- Pepper & Rogers Group: 80 % of CRM projects failed
- Robbins- Gioia (2001): 51 % of IT Projects failed

How often does IS project fail?

There are problems!

~70 %

of Information System Projects are unsuccessful: failed or challenged

Unsuccessful projects bring huge waste of money and loss of self-assurance

A failed project:

- Terminated before end
- Results were not taken into use.

A challenged project:

- Schedule delayed > 5 % and/or
- Cost overran > 5 % and/or
- Features delivered < 95 %.

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Why does IS project fail?

Root cause analysis of 65 case projects

- The initial hypothesis (IT vendors are quilty of unsuccessful projects) was false. Fatal failure of IS vendor was reason for unsuccess ”only” in **46 %** of case projects. Clients’ fatal failures were reason for unsuccess in all **100 %** of case projects.
- Note that project may have several reasons for unsuccess.
- Our main findings are presented in the following slides by using CxO Development Project Model.
- Among 65 analysed case projects were 10 from construction business … they are analysed separately.

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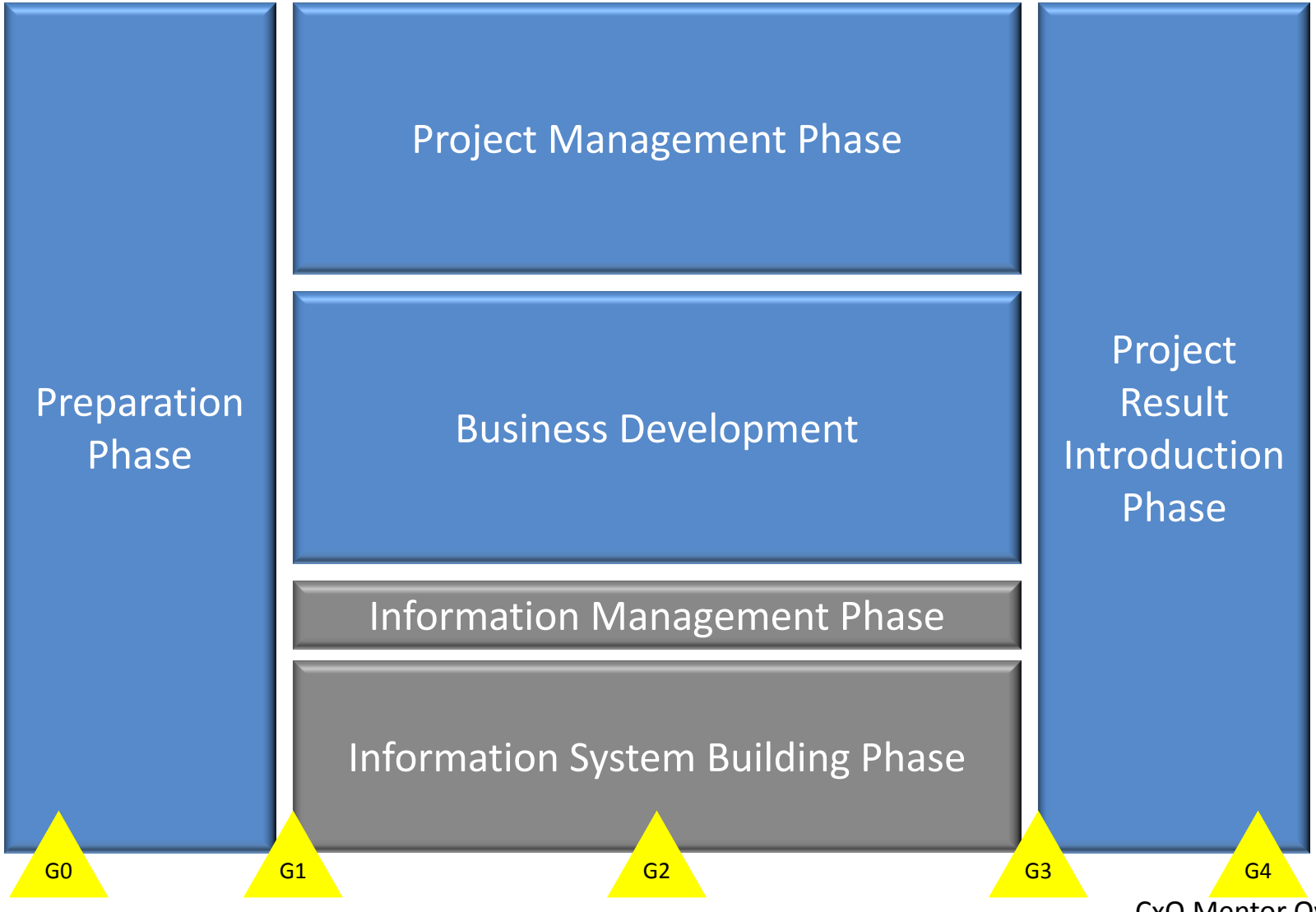
CxO Development Project Model 2.0



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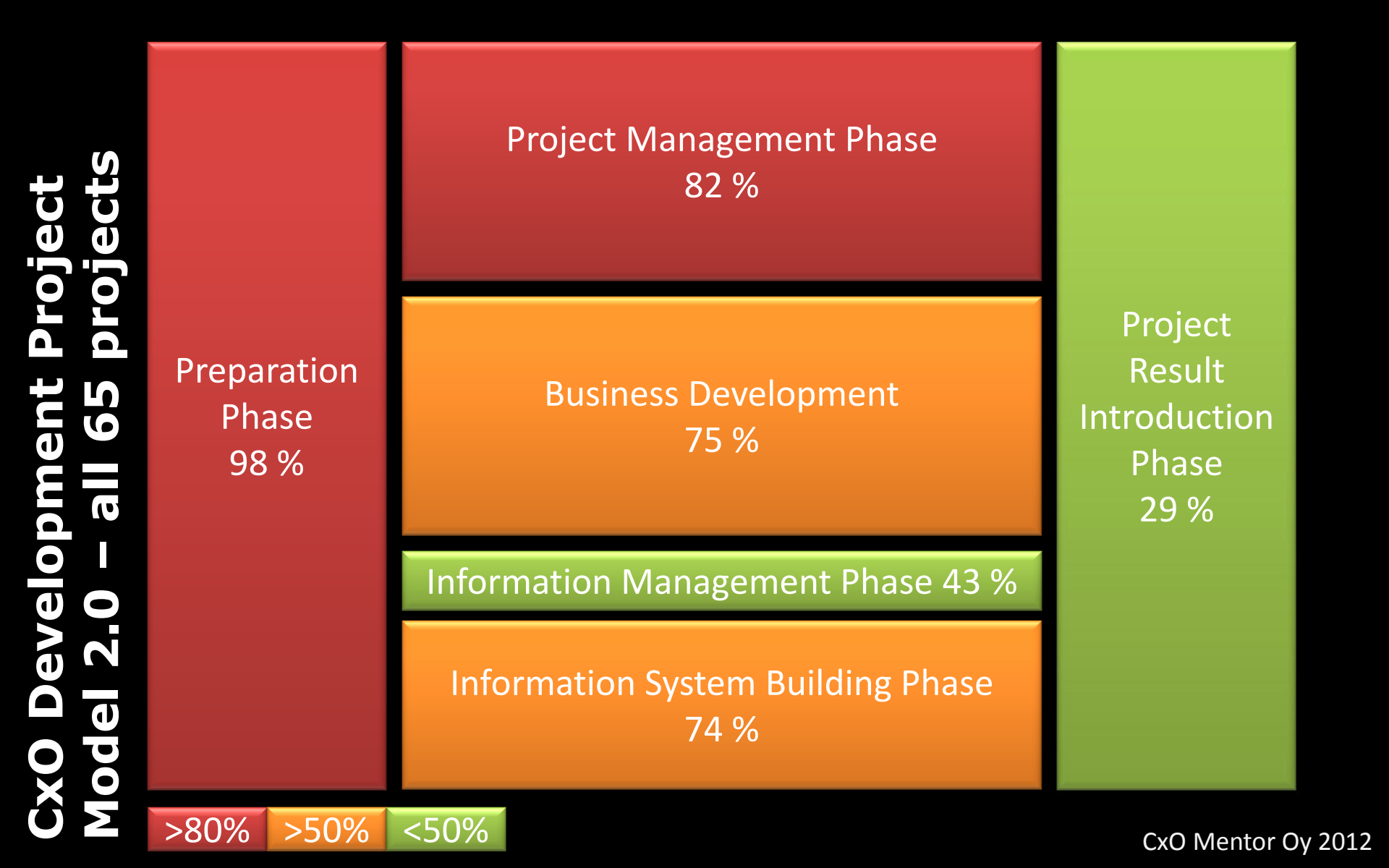
CxO Development Project
Model 2.0 – all 65 projects
Preparation Phase 98 %
Project Management Phase 82 %
Business Development 75 %
Information Management Phase 43 %
Information System Building Phase 74 %
Project Result Introduction Phase 29 %
>80%
>50%
<50%
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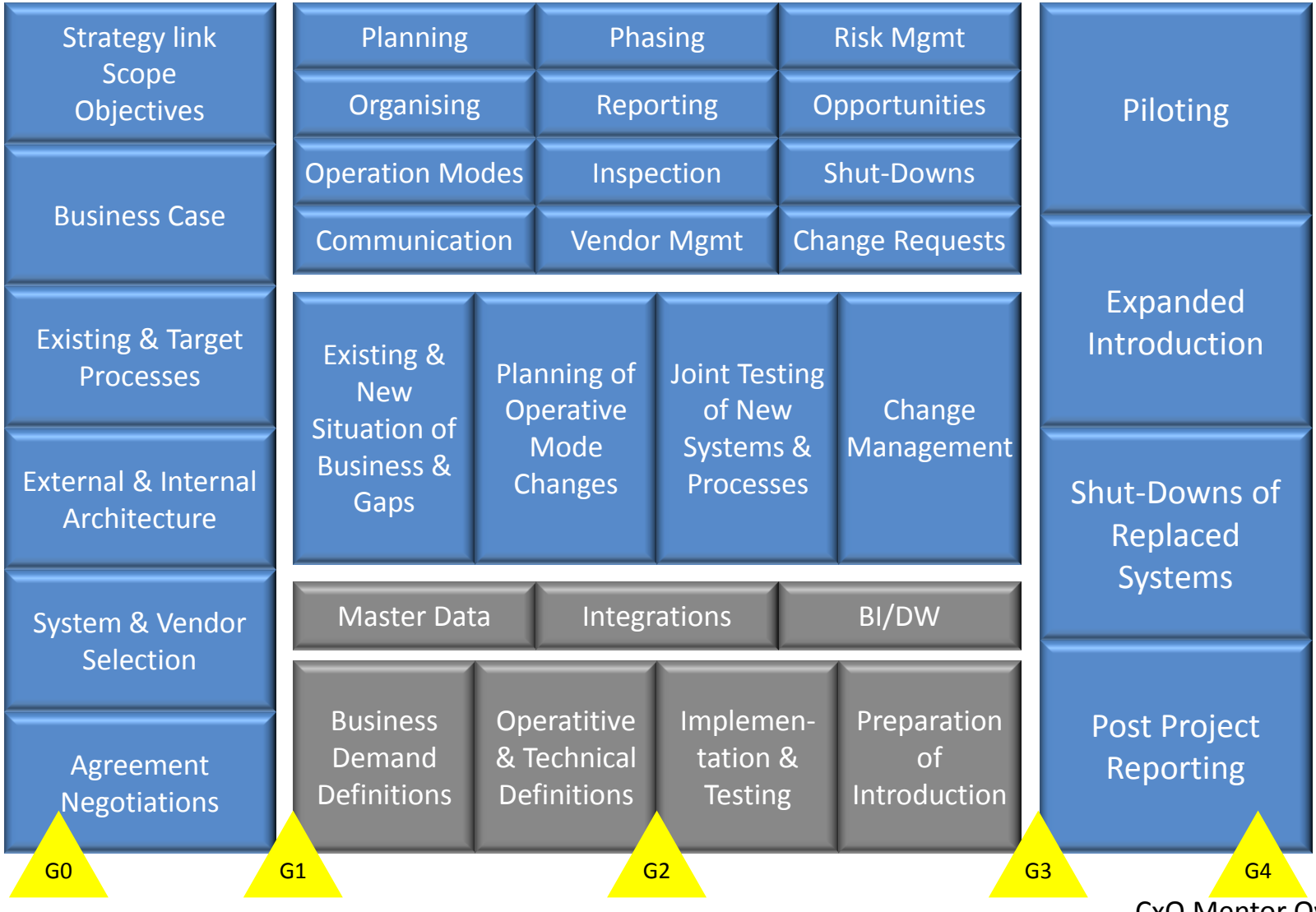
CxO Development Project Model 2.0



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CxO Development Project Model 2.0 – all 65 projects

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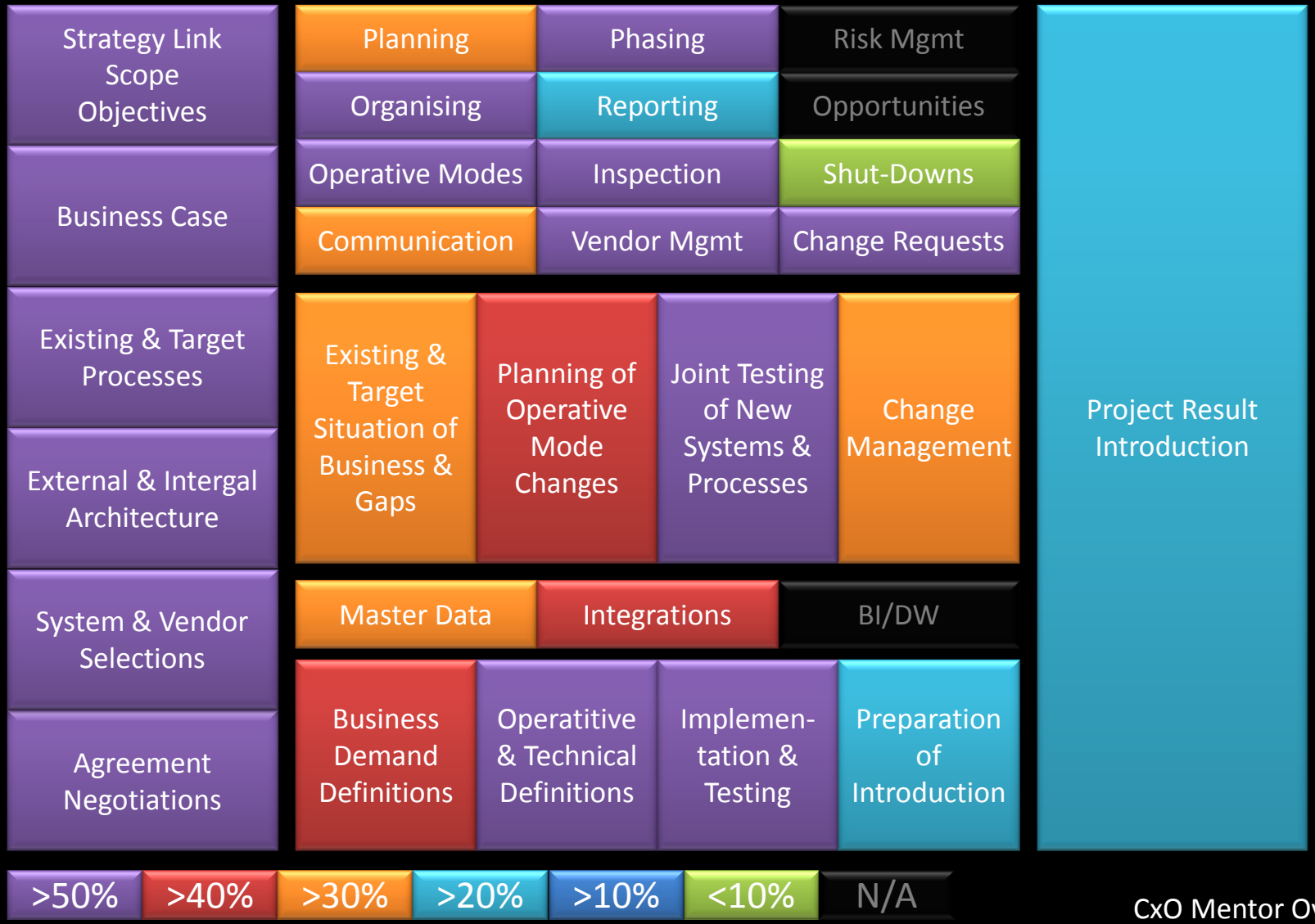
CxO Development Project Model 2.0 – 10 CB projects



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Why does IS project fail?

Root cause analysis of 65 case projects

- When studying the causality of failures, the cause can be found on the previous task(s). Therefore the first phase (Preparation) is the most problematic.
- Same way the cause of preparation problems can be found outside of the project from e.g. management system, project culture or organisation.
- For example, at least **32 %** of case projects suffered due to poor collaboration between business & IT

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How to ensure project success?

Some guidelines to avoid traps

Focus on the Project Preparation Phase

- Link to strategy
- Scope & objectives
- Business Case
- Processes
- Comparability to Enterprise Architecture
- System and Vendor selections
- Agreement negotiations

Focus on the Beginning of Project Management Phase

- Business ownership
- Business involvement
- Project Manager
- Project plan
- Change Request Management
- Vendor Management

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How to ensure project success?

Some guidelines to avoid traps

Establish company level functions to support projects

- Program & Project Porfolio Management
- Project Management Office
- Enterprise Architecture
- Information Security

Develop collaboration between IT and business

- Joint decision-making of IT and IS issues
- Relationship Management between IT and business organisation(s)
- Common forums for discussion & decision-making
- Trust must be earned!

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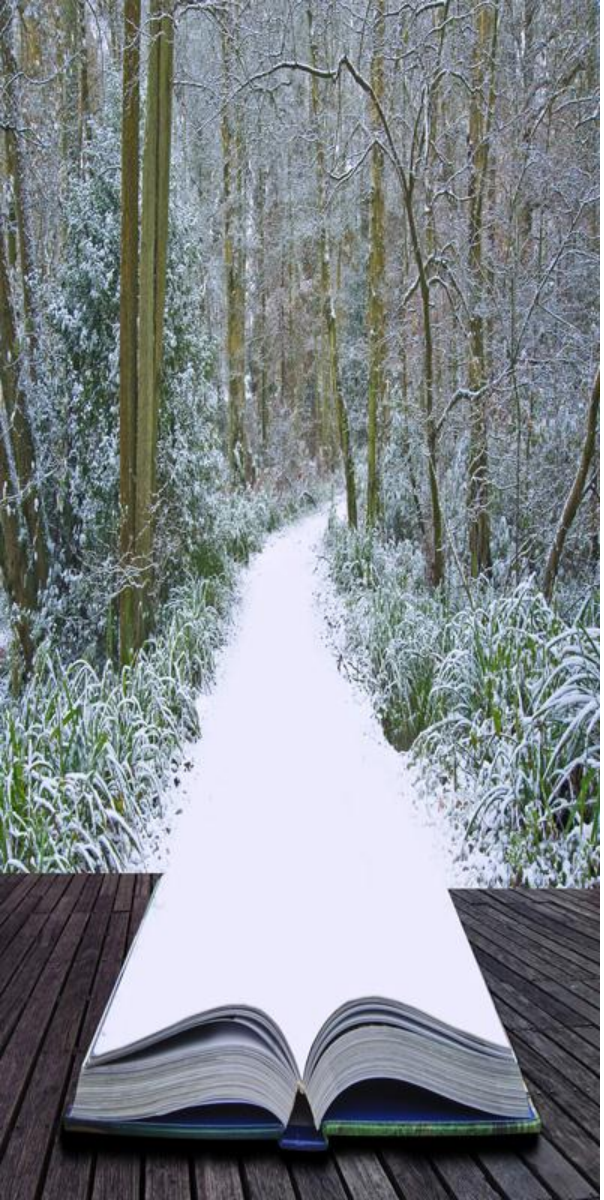

Closing words

- Next step for everybody:
  - STOP talking about IT Projects
  - START talking about Business Development Projects
- Next step for CxO: focusing on the colla-boration questions between IT and business.
- Contact information:
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  - The company: www.cxomentor.fi

- Thank You!

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