IS THE PROJECT TURNING INTO A BLACK HOLE?
AND IF SO, WHAT CAN SENIOR DECISION MAKERS DO ABOUT IT?

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CONGRES: BEWUST VAN HET ONBEWUSTE: GEDRAGSMATIGE VALKUILEN IN COMPLEXE ICT-PROJECTEN
Is Your Project Turning into a Black Hole?

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Any seasoned executive knows that information technology (IT) projects have a high failure rate. Large IT projects can become the business equivalent of what astrophysicists know as black holes, absorbing large quantities of matter and energy. Resources continue to get sucked in, but little or nothing of value ever emerges. Of course, projects don’t become black holes overnight. They get there one day at a time through a process known as escalating commitment to a failing course of action.1 While escalation of commitment can occur in any type of project, it is particularly common in large technology-intensive projects, such as those with a strong IT component. The complex and uncertain nature of these projects makes them particularly prone to escalation. Without executive intervention, projects of this type will almost inevitably turn into black holes. Consider the following three examples:

In 2004, car rental firm Avis Europe canceled an ERP system after spending $54.5 million. The project had encountered substantial delays and subsequently higher costs due to a number of fundamental problems with its design and implementation.2 In a statement, the company’s CEO said: “We are very disappointed that major IT parts of the project have incurred significant exceptional costs and will not deliver the anticipated benefits. We feel it is right to take decisive action on the results of the review.” Yet with $54.5 million down the drain, one has to wonder if the executives could have exercised that decisiveness at an earlier stage.

In 2005, the FBI canceled its virtual case file (VCF) project after having spent $170 million. VCF was designed to replace the bureau’s antiquated paper files and provide a networked system for tracking criminal cases. Begun in 2001, the project was not completed within three years but the FBI failed to manage both the software vendor (SAIC) and the project’s scope. As a result, requirements grew and costs skyrocketed, but the project continued. In 2004, after receiving an internal whistleblower who turned out to be a failing project, the FBI said: “We are very disappointed that major IT parts of the project have incurred significant exceptional costs and will not deliver the anticipated benefits. We feel it is right to take decisive action on the results of the review.”

In 2006, the U.S. Department of Agriculture (USDA) canceled its electronic animal identification (EAI) project after having spent $64 million. The project was intended to improve the meat and poultry industries by creating a system for tracking animal movements. However, the project faced numerous challenges, including technical difficulties and a lack of buy-in from industry stakeholders. The USDA stated: “We are very disappointed that the project did not meet its objectives and will not deliver the anticipated benefits. We feel it is right to take decisive action on the results of the review.”

Summary

Strategically important projects involve high stakes, uncertainty, and stakeholder complexity, with contingencies and risks typically surging repeatedly as the project evolves. This is challenging not only for the project team (PT) but also for the steering committee (SC). The top management oversight structure typically used to align a project with the organization’s strategic goals. This article explores how senior executives can provide proactive leadership and effective oversight of strategic projects, although they have only limited time and often incoherent expertise. The SC can keep a project aligned, even with limited time, through focused understanding of the key logic and drivers of the project. The SC needs to manage the surprises and crises that inevitably arise in a difficult project through proactive analysis that goes to the bottom of the problem and by working with the PT to generate solutions.

Keywords: strategic projects, project supervision and oversight, project governance, steering committee work, focused understanding, managing surprises

References


About the Authors

THE DILEMMA, PT. 1:
HOW DO EXECUTIVES EXPERIENCE IT PROJECTS?
"Picture yourself in a boat on a river, 
With tangerine trees and marmalade skies..."
(Lennon—McCartney, 1967)

- Limited domain (=IT) knowledge
- Complexities, uncertainties and unknown-unknowns
- Emergence of black hole projects little understood
THE DILEMMA, PT. 2: UNDERSTANDING BLACK HOLES – THE DEVIOUS PROCESS OF ESCALATION OF COMMITMENT
ESCALATION OF COMMITMENT TO A FAILING COURSE OF ACTION

Some projects never seem to terminate . . . “they become like Moses, condemned to wander till the end of their days without seeing the promised land.” (Keider, 1974)

Repeated decisions to commit resources
...in the face of uncertainty
...and negative feedback about project viability
THE PROCESS OF ESCALATION

PROJECT SETUP

PHASE 1: DRIFTING
Ambiguity concerning project charter  
Conflicts about project goal and direction
Problem Emergence

PHASE 2: TREATING SYMPTOMS
Problems seen as isolated  
Incidents  
Remedies do not target root causes
Increased Problem Visibility

PHASE 3: RATIONALIZING CONTINUATION
Experts explain away past troubles  
Alternatives depicted as more problematic
Imminent Threat to Project Continuation

PROJECT TERMINATION OR TURNAROUND

DISASTER RECIPE:
1. START WITH NECESSITY AND URGENCY
2. COMPENSATE FOR LACK OF CLEAR DIRECTION BY ADDING RESOURCES

(Keil and Mähring 2010)
BREAKING THE PROCESS BEFORE IT IS TOO LATE

DRIFTING
- Freeze or reduce headcount
- Get small team to re-plan
- Make clear go/no-go decision

TREATING SYMPTOMS
- Stop throwing money at problems
- Involve your best people
- Address root causes

RATIONALIZING CONTINUATION
- Be suspicious of new rationales
- Bring in new outside expertise
- Create broad transparency and visibility

(Keil and Mähring 2010)
GETTING OUT OF THE BLACK HOLE: THE DE-ESCALATION PROCESS

RECOGNIZE PROBLEMS
- Acknowledge problems
- Apply / leverage external pressure

RE-EXAMINE PRIOR ACTIONS
- Expose problems
- Build a case for criticizing prior actions

FIND ALTERNATIVES
- Use external experts to legitimize change in direction
- Manage impressions

IMPLEMENT EXIT STRATEGY
- Sell exit strategy
- Facilitate face-saving
- Help find solutions for those hurt by exit

(Montealegre and Keil 2000)
THE DILEMMA, PT. 3:
HOW TO EXERCISE OWNERSHIP
WHEN YOU DON’T (FULLY)
UNDERSTAND THE PROJECT?
Control configuration & control enactment

**Control modes**
What different modes and mechanisms do controllers use to exert influence?

- **Formal**
  Direct influence over behavior through routines, directives, and goal-setting
- **Informal**
  Encouragement of positive group norms, self-monitoring, self-goal setting

**Control style**
How is the interaction between controller and controllee conducted?

- **Enabling**
  Anticipation of breakdowns (repair) & visibility of control (transparency)
- **Authoritative**
  Top-down control, bureaucratic values, lacks repair & transparency features

DO SENIOR EXECUTIVES CONTROL DIFFERENTLY FROM PROJECT MANAGERS?

(Heumann, Wiener, Remus, Mähring, 2015)

Enabling Control Style
- Task complexity
- Legitimacy concerns
- Performance considerations

Coercive Control Style
- Efficiency concerns

But: when crises emerge, executives adopt a coercive control style

(Heumann, Wiener, Remus, Mähring, 2015)
IT’S ALL IN A DAY’S STEERING COMMITTEE WORK

• Ensuring that the project creates value for the organization
• Cancelling the project when value creation is no longer possible
• NOT focus on project success at all cost (bad projects can sometimes threaten their hosts)
  – Cancel bad projects early
  – Help good projects through
  – Organizational capability development and value creation
• Exercise “ownership” – cf. board of directors
STUDY: WHAT DO EXPERIENCED STEERING COMMITTEE MEMBERS DO?

TYPES OF PROJECTS COVERED
- Hi-tech product development
- Drug/treatment development
- Turn-key industrial plants
- Organizational change and IT implementation

Which type of complexity is seen as most difficult to work with?
Organizational complexity
FIVE AREAS OF CHALLENGES

Composition and self management
Goal agreement
Relationship with Project team
Supervision and Control
Managing surprises and changes
TYPICAL TRAPS FOR STEERING COMMITTEES

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## STEERING COMMITTEE GOOD PRACTICES

### Composition and self management

- Small Team
- Understand role
- Norms, rules, procedures
- Common view - proj. task - SC task
- Relationship and trust

### Goal agreement

- Articulate conflicts
- Stable compromises
- Effects => deliverables
- Scoping document

### Relationship with Project team

- Influence team formation
- Reward: professionalism, communication, resourcefulness
- No micro-mgmt
- "Trust but verify"
- Foster openness – no blame

### Supervision and Control

- Invest in understanding “logic” of project
- Proactive info
- Challenge reports and assumptions
- Force translation to business language
- External experts?

### Managing surprises and changes

- Verify surprises and new info
- Engage in discussion with PM/PT
- ID worst case
- Small-scale experimentation
- Maintain win-win on SC

### Respect — listening — presence
THE KEY THINGS FOR STEERING COMMITTEES TO DO

• Nurture the relationship to the project manager and team:
  – Avoid blame-games and fear
  – Leverage learning opportunities
  – Develop transparency

• Insist on getting complexity translated:
  – Keep asking questions
  – Insist on explanations you can actually understand

• Focused understanding:
  – Avoid trying to understand everything
  – Understand the project “logic” – key drivers, barriers, and junctures
THANK YOU! – DANK U WEL!

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