

The Computer That Ate the Company

With a little planning, computer projects can be kept from spinning out of control.

by Sharon Kindel

WHEN MIAMI-BASED RYDER SYSTEMS looked at the massive job of reconfiguring a crucial company-wide computer system in 1989, it took the precaution of calling in the "Red Adair" of runaway computer systems.

James Willbern, national director of Peat Marwick's Runaway Systems Management practice, picked up this sobriquet not for putting out oil well fires, like his namesake. Willbern and his staff specialize in taming massive computer projects that spin out of control when their planning or management breaks down.

"It was the single biggest systems project that we at Ryder had tackled," says

Dennis Klinger, chief information officer of the \$5.1 billion transportation services company. "When I looked at all the complexity in this project, I saw many opportunities for it to get out of control if it wasn't handled correctly from the beginning."

How right he was. The Ryder job, which fundamentally changed the administrative process of renting or leasing trucks, was completed successfully. But runaway computer projects are more the rule than the exception in business. Experts say about 65% of all companies have lost control of the management or planning of a computer project at some stage. Large companies and major non-

corporate users such as the federal government may even have several projects spinning out of control at any given time.

When projects go astray, about 80% of the problem is management-oriented, and not technical."

According to Kalyan Krishnan, CEO of Fremont, Cal.-based Independence Technologies, a company that provides products and consulting services for large, online transaction processors, such as those used in banks, "Very often, you start out with a picture of what your business needs are, but by the time you're done with a project—it can take a few years—the business requirements have changed."

One case that illustrates how much damage a runaway system can cause involves a large mortgage services company that went into Chapter 11. It seems the company had a major computer project under way, budgeted at \$20 million. When the dust finally settled, nearly \$100 million had been spent for a system that didn't work the way it was supposed to. Perhaps it was merely a coincidence that the size of the company's debt at its bankruptcy proceeding was \$100 million. Or maybe this is a case of the computer that ate the company.

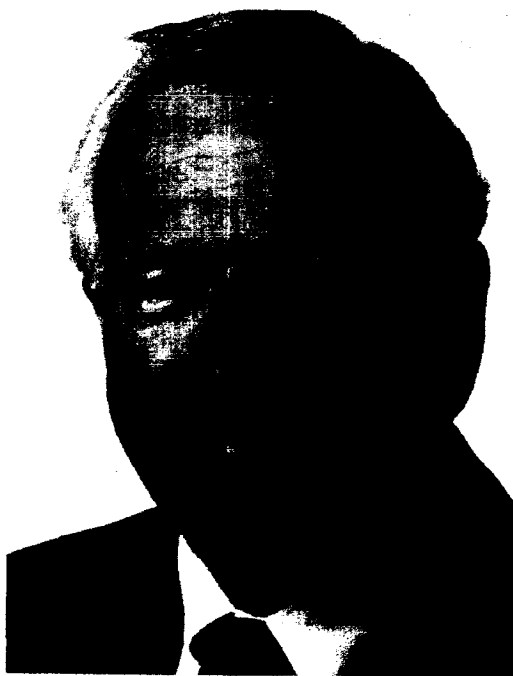
Any company runs the risk of a runaway computer project unless it has a clear understanding of exactly what it wants to do with its computers up front. Otherwise, its projects may be headed for disaster from day one.

"We tell our clients to think first about what they are trying to accomplish and then think how they would organize to best use this application if they were starting their company today," says Howard Lackow, vice president of the JD Consulting Group, a Bedford Hills, N.Y.-based firm specializing in information-technology management.

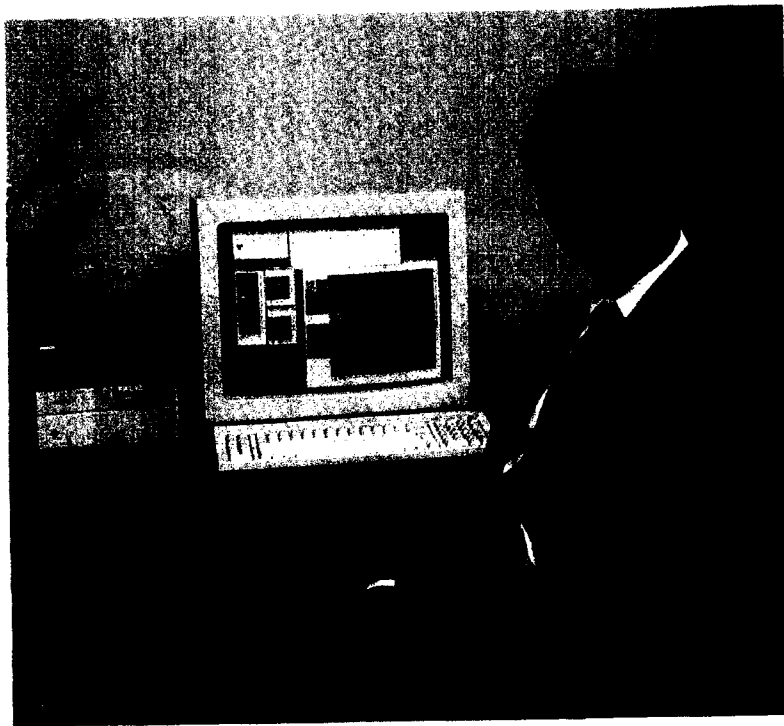
Faced with the need to upgrade an outmoded, inadequate, distributed processing system, Ryder took the opportunity to increase significantly the level of automation of its basic business of renting, leasing and maintaining trucks. The aim was to lower costs, improve efficiency and add a strategic planning capability.

Ryder had previously decentralized much of its operational functions into its major regional offices. But these offices didn't have the computer capability to automate functions such as customer billing, receivables processing or the various parts of the rental operation. Some of this work was done on the corporate mainframe, but most of it was done by hand.

In order to reap the greatest benefit from automation, Ryder chose to decen-



Peat Marwick's James Willbern



Independence Technologies' Krishnan
"Business requirements changed."

tralize much of its computing capability into its major regional offices. Klinger installed IBM AS/400 midsize computers at 80 different locations throughout the U.S. and Canada, in offices with no data-processing professionals. These computers are used to link branch offices, and to supply information back to company headquarters in Miami.

Klinger called in Willbern because he knew that "a project of this size ends up taking on its own institutional life." And he wasn't interested in creating a Frankenstein's monster.

"Willbern took an organizational approach, providing us with help developing the project-management capability and all of the tools we needed to manage this very complex coordination job," says Klinger. "He helped us with the selection of packaged, project-planning software, as well as with the development of the necessary custom-built pieces that together do those unique and specific tasks we needed in order to manage this project. We even talked about staffing needs. Once we installed the first few systems, the project went exceedingly

well. It is delivering the benefits we had hoped it would. It is the base upon which we will build our future."

Says Willbern: "We're usually called in by the president or CEO after they've taken all the pain and expended all the patience they can getting a system on board." What kind of pain? "In a \$100 million company, a \$1 million or \$2 million project isn't often considered that large. Yet, if it gets out of control, it can jump to \$5 million or \$10 million and easily consume the net income for that year," says Willbern. "In the case of a merger or acquisition, companies rarely disclose a runaway. That might imply mismanagement. Yet the prospective buyer, thinking he has an asset, may find himself saddled with a major liability instead."

"Most failures occur because people didn't know how to plan and manage major projects," says Lackow. Willbern agrees: "When projects go astray, about 80% of the problem is management-oriented, not technical. You can hire lots of technicians to solve your problems, but most technicians don't do a very good job of managing themselves."

There are several steps a company can take to maintain control of a project. First, have a clear understanding of the

project's objectives and develop a realistic plan to achieve them. Says David McCue, director of practice services and information systems for Andersen Consulting: "If a project is supposed to take 15 months from start to finish, you can't change design elements after six months without having a potential problem." Second, all affected players—users and information-services support personnel as well as top management—must be a part of the development process and agree on what the end results should be. Third, experienced people are needed to both manage the project and head up critical areas. Says McCue: "It's important to have people who understand what questions to ask, how to ask them and the need to ask them."

Most important, says Willbern, overall control of a major project ought to be shouldered by a senior executive who is not part of the computer management staff. "The key user should have overall accountability and responsibility. Information services will play a major role, but it's still a service department. We find that it works better if this responsibility is not with I.S. [information services]."

Another way to keep a project on track is to have periodic meetings to review progress. "Users forget what they've agreed to," muses Willbern. "They need to be reminded from time to time." For a project that might take a year to complete, he recommends that review meetings be held at least every three months.

Once a company has a clear idea of the tasks its system will perform, the next step is to get the appropriate software. Will it be commercially available? Custom made? Or a little bit of both?

Advances in technology have enabled companies to consider hardware as the last step of the planning process. That's partly because many components of a computer system—the workstations, disk drives, memory storage devices and the like—are essentially standardized and sold like commodities. That's not to say that hooking all the boxes together and making them run the way they're supposed to can't be a big headache.

Still, says Lackow, "most failures can be stopped before lots of time and money has been misspent. It just goes back to poor management, poor planning and poor control of the project." ■