



Managing Performance

Geary Rummler & Alan Ramias

Consultants
Performance Design Labs (PDL)

GRummler@ThePDLab.com
ARamias@ThePDLab.com



Welcome to our inaugural column. Rather than focus on a particular subject or theme, our intention with this column is to write about issues and ideas that seems to intrigue or bother not only us but the various constituencies that visit BPTrends. So we may get on one topic for a while and then shift gears as our concerns about the field of business process may also change course. We invite readers to write to us with your comments, suggestions, and objections, and we'll try to keep a lively dialogue going. So here goes...

Some time ago we went to a business conference attended by a mix of folks interested in business process management – lots of participants working in IT, many people who label themselves “process excellence” specialists or something similar, and a smattering of people from other disciplines and functional areas. We were participating in a panel discussion with people who were experts in areas such as business rules, SOA, Enterprise Architecture, and the like. Someone asked the panel to respond to the question, “What advice would you give a company that is about to embark on a big technology project to transform the whole organization?” Technology in this case meant the use of BPM software but could have been about any IT initiative.

I (Alan) offered the suggestion that it is critical for senior management to assume strong control of such a project at the outset in order to prevent later disaster. I then mentioned a personal experience I had had in watching a company undertake just such an effort and after spending \$45 million, they pulled the plug when the first release of software was an utter failure. Another person on the panel jumped in, and, in what I guess was an effort to soothe feathers, said, “Oh well, we all know about our \$50 million IT failures. Heck, I’ve seen a good number of bigger ones than that...\$75 million, \$100 million – “At that point, the whole panel joined in, each one trying to top the other: “Oh yeah, I’ve seen \$150 million – “ “\$200 million at least – “

It was hilarious – but also astounding, shocking, scary, sad. Are U.S. companies really shoveling tons of money out the door on failed IT projects? Is the development of technology some kind of sinkhole in the middle of American productivity? As Geary said afterwards, “If there were any CIOs or CEOs listening, they should have been cringing.” Well, are they?

This experience set us off on a quest to find out how big a problem this was, and why it was happening, if indeed it is a major problem. We have long been engaged in business process design and management and have frequently worked with IT people on process improvement, but we don’t have the same backgrounds they have. And we are keenly aware that technology has become so important to business performance, so “entangled” with process, that the two are inseparable. Our own clients these days are likely to be from the IT shop of a company because that is where concern about end-to-end process design has migrated. So we are all for success in technology, and strongly support the engagement of IT professionals with process professionals. Our interest in IT failure is not a witch hunt but an authentic concern that the marriage of process and technology could be careening toward disaster.

So we embarked, and it didn't take long to find plenty of data that the problem exists, but what strikes us most is the lack of outrage. The grand prize winner apparently is the FBI's multiple attempts at fixing their antiquated computer systems after 9/11. They spent \$170 million on their first attempt, with no results, and now *The New York Times* estimates that the agency will spend \$500 million before it's through. A scary story, for every American.

But we know about the FBI only because it is a public agency. Most of these IT crashes go unreported. The top executives at the company that misspent \$45 million did everything they could to prevent that information from leaking to the outside world, because they were panicked at the possibility their stock would take a hit. And, you know, it probably would have, because we know of another company in the same industry that did report a similar giant IT fiasco and their stock price plunged 50%.

So apparently we don't have CIOs going to other CIOs and whispering, "Don't do it. Don't invest in that technology. Don't hire that vendor." Instead, they read about their competitors pouring money into technologies that will "transform" their organizations, wire them into the 21st century, enable them to join the flattened world. Nobody will admit, "We got took."

Yet the data is available. We have looked, for example, at several presentations by Bill Ulrich, a consultant in Enterprise Architecture who lists a veritable catalog of horrendous IT bombs. Bill notes that "35% of projects attempting to deploy packaged ERP solutions get cancelled, the ones that do get implemented tend to provide only 40% of their promised functionality, and only 10 % are delivered on time and within budget." He also cites the 2003 Standish Group's Annual Research Report that reported \$75 billion in cancelled IT projects for that year.

There is even a name for this problem; it is typically called the "Business-IT Alignment Gap." Various reasons are given for why the gap exists, and how it can be fixed. We'll give our opinions in future columns. We may be a little late to this party, but we would like to register our alarm. This situation smells a lot like reengineering, which, after the first heady days, began reporting a 70% failure rate (by Hammer and Champy, the very people who cooked up the concept to begin with.) But this is worse. You could elect not to do reengineering. You cannot elect to do no technology investment. Companies have become dependent on the use of technology to delivery value. Computers have become performers, not just enablers, of many processes. There is no going back, only forward, but is there no way to avoid these costly blunders? We think, hope, believe it is avoidable. More on that next time.