Pennsylvania sues IBM over troubled $110M IT upgrade

Efforts of this size rarely turn out right, says project management consulting firm

By Patrick Thibodeau

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Pennsylvania is suing IBM over a $110 million IT project to upgrade its unemployment compensation system that the state says was never completed.

The lawsuit alleges that state residents ultimately paid $170 million "for what was supposed to be a comprehensive, integrated, and modern system that it never got," Gov. Tom Wolf said in a statement last Thursday announcing the lawsuit.

Asked to comment, an IBM spokesperson said: ""The claims alleged by the Commonwealth of Pennsylvania are without merit. IBM will vigorously defend itself against this lawsuit."

But the odds were against this project from the start, according Jim Johnson, founder and chairman of Standish Group, which studies and consults on software project management. "Successful projects of this size are very, very rare," said Johnson.

The Standish Group, drawing from a database of 50,000 development projects, has found that for development projects that exceed $100 million in labor costs, only 2% are successful, meaning on-time and within budget.

Another 51% are considered challenged or over budget, behind schedule or didn't meet user expectations. The rest, 47%, are seen as outright failures, said Johnson.

The Pennsylvania project was ended in 2013; at that point, it was 45 months behind schedule and $60 million over budget. The state has continued to rely on its legacy systems.

Johnson said the major problem with large system deployments is that for every $1 million in labor cost there are about 1,000 decisions that have to made. Projects of this size fail of because of "decision latency" -- the time it takes to make each decision, he said.

Johnson says he has seen decision delays as long six weeks, while a team of 10 people "sat around for the decision to come back."

Many project decisions are small and if decisions are made at the team level they are made quite fast, said Johnson. "In a good running project, the average latency would be around an hour for a decision," he said.

When decision-making isn't moving along, delays pile-up. And sometimes, higher-ups reverse decisions that have already been made.

Decision making "is the main problem with something like this," said Johnson. "It's almost like high blood pressure, it's the hidden disease of projects."

The Pennsylvania lawsuit was filed in state court and was not available online. Requests to the governor's office for a copy of the complaint received no response.

In 2013, the state released a study conducted by Carnegie Mellon University's Software Engineering Institute. It cited a number of issues, including workforce turnover. Since the start of the project, 638 different contractor staff members have worked on the project, with the majority of the workforce having less than a year's involvement and 75% having less than two years.

The churn of the workforce likely affected efficient project planning and execution, the report said.

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