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## **One in six major IT projects go 200% over budget**

**One in six large scale IT projects go over-budget by an average of 200%, according to new research by Oxford University's Said Business School and consultancy company McKinsey & Co.**

The study found that while most IT projects went less than 30% over budget, one sixth ended up costing three times as much, or over ran schedule by 70%, delays and overspends that have proven fatal to some companies.

The study looked at 1,471 projects costing more than \$170m, from both the public and private sector.

Risks increase in line with the size and complexity of the project, and while most projects did not suffer major problems, rare, unexpected problems, dubbed 'black swans', that are often overlooked at project inception as being too unlikely to occur, could prove catastrophic.

The study also showed that IT projects are two to three times more likely to go out of control than comparable major construction projects, and 20 times more likely to run out of control than would be predicted by existing risk management models.

Principal investigator Professor Bent Flyvbjerg, BT Professor and Founding Chair of Major Programme Management, said: "We were shocked when the data came in and we learned that large IT projects are 20 times more likely than normal projects to spin out of control. IT projects are now so big and touch so many aspects of business, government and citizens' lives that this poses a singular new challenge for top managers. Any company contemplating large technology projects should ask whether the company is strong enough to absorb the hit should it go over budget by 400%. Although this figure may seem excessive, as our research shows costs such as these can occur all too frequently."

The study, which looked at major projects that have taken place over the last ten years, also found little difference between public and private sector projects in terms of likelihood of going over budget or over schedule. Public sector projects had been perceived to be more likely to fail.

Jürgen Laartz, director at McKinsey and Company, said: "The results are a wake-up call for top managers considering significant IT projects. Our experience shows that IT projects are often not managed the right way. The new research tells us why, so we can fix the problem and take IT project management to a new, more professional level."

The researchers said that companies need to take more notice of low probability, but high-impact risks, and to consider whether they have the expertise for the project, if they have any issues with software compatibility, and other existing or predicted economic factors that might effect the company's ability to absorb a major overspend or overrun.

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