Top 10 Corporate Information Technology Failures

AMR Corp., Budget Rent A Car Corp., Hilton Hotels Corp., Marriott International Inc.

PROJECT: "Confirm" reservation system for hotel and system for hotel and rental car bookings

WHAT HAPPENED? After four years and $125 million in development, the project crumbled in 1992 when it became clear that Confirm would miss its deadline by as much as two years. AMR sued its three partners for breach of contract, citing mismanagement and fickle goals. Marriott countersued, accusing AMR of botching the project and covering it up. Both suits were later settled for undisclosed terms. Confirm died and AMR took a $109 million write-off.

Snap-On Inc.

PROJECT: Conversion to a new order-entry system from The Baan Co.

WHAT HAPPENED? Despite three years of design and implementation, a new order-entry system installed in December 1997 costs the tools company $50 million in lost sales for the first half of 1998. Orders are delayed, inventory is miscounted. Snap-On's operating costs soar 40%, mainly to cover costs of extra freight and temporary workers. Franchisees, frustrated because they can't operate the new software, turn to Snap-On competitors. Company profits for the period sink 22% compared to 1997.

FoxMeyer Corp.

PROJECT: SAP ERP system

WHAT HAPPENED? A bungled enterprise resource planning (ERP) installation in 1996 helped drive FoxMeyer into bankruptcy, the drug distributor claims in lawsuits still pending against SAP AG, SAP America Inc. and Andersen Consulting. FoxMeyer seeks a combined $1 billion in damages, but defendants deny doing anything wrong. Trials scheduled for next May.

W. W. Grainger Inc.

PROJECT: SAP ERP system

WHAT HAPPENED? Grainger spent at least $9 million on SAP software and services in 1998 and last year, but the ERP system overcounted warehouse inventory and had routine crashes. During the worst six months, Grainger lost $19 million in sales and $23 million in profits. Grainger patiently worked with SAP on fixes.

Greyhound Lines Inc.

PROJECT: "Trips" reservation and bus-dispatch system

WHAT HAPPENED? Greyhound spent at least $6 million in the early 1990s building Trips. But Trips failed miserably when installed in 1993, crashing when Greyhound offered sale prices on bus fares. To avoid using the system, agents wrote tickets by hand while customers waited in line and missed busses. Ridership plunged 12% in one month. Just weeks after rolling Trips out, Greyhound disabled it in some regions while trying to trace problems. The debacle spurred a $61.4 million loss for the first half of 1994. The CEO and CFO resigned. Trips operates today but Greyhound never regained its status as a transport powerhouse.

Hershey Foods Corp.

PROJECT: IBM-led installation and integration of SAP, Manugistics Group Inc. and Siebel Systems Inc. software

WHAT HAPPENED? To meet last year's Halloween and Christmas candy rush, Hershey compressed the rollout of a new $112 million ERP system by several months. But inaccurate inventory data and other problems caused shipment delays and incomplete orders. Hershey sales fell 12% in the quarter after the system went live – down $150.5 million compared with the year before. Software and business-process fixes stretched into early this year.

Norfolk Southern Corp.

PROJECT: Systems integration with merger target Consolidated Rail Corp.

WHAT HAPPENED? Norfolk Southern lost more than $113 million in business during its 1998/1999 railroad merger with Conrail. Custom logistics software wasn't tested properly and a dispatcher mistakenly fed bogus test data into the system. Norfolk Southern suffered more than a year of train backups, untrackable freight and crew-scheduling mishaps. Norfolk Southern spent an extra $80 million on worker overtime pay and fix-up costs until the system was stabilized early this year.

Oxford Health Plans Inc.

PROJECT: New billing and claims-processing system based on Unix International and Oracle Corp. databases

WHAT HAPPENED? A 1996 migration to a new set of applications for health maintenance organizations operations resulted in hordes of doctors and patients angry about payment delays and errors. The system also underestimated medical costs and overestimated income. As a result, high-flying Oxford posted its first-ever quarterly loss in November 1997: $78 million. All told, Oxford overestimated revenues by $173.5 million in 1997 and $218.2 million in 1998. New York state fines the company $3 million for violating insurance laws. Oxford replaced large parts of the home-grown system with off-the-shelf modules.

Tri Valley Growers

PROJECT: Oracle Corp. ERP and application integration

WHAT HAPPENED? A giant agricultural co-operative, Tri Valley bought at least $6 million worth of ERP software and services from Oracle in 1996. None of the software worked as promised; some of it couldn't even be installed on Tri Valley's DEC Alpha hardware, the co-op claimed in a $20 million lawsuit filed in February. Tri Valley stoped using the Oracle software and stopped paying the vendor. Oracle countersued for breach of contract. Tri Valley filed for bankruptcy protection in July. Oracle denies all claims.

Universal Oil Products LLC

PROJECT: Software for estimating project costs and figuring engineering specifications, to be built and installed by Andersen Consulting

WHAT HAPPENED? After a 1991 ERP deal with Andersen resulted in unusable systems for UOP, the industrial engineering firm cried "fraud, negligence and neglect" in a $100 million lawsuit in 1995. Andersen later sued UOP for libel, accusing it of leaking incriminating e-mail by its consultants in an "attempt to publicly harass and humiliate Andersen." UOP hired another consultancy to implement the system. [Will add sentence on the result of the lawsuits.]

Methodology: Projects are listed in alphabetical order by company name. Selection of the IT projects was based on the amount of financial losses or damages sought in lawsuits. Only IT projects at U.S. corporations – and developed during the 1990s – are included. Government projects are excluded. Thanks to Mark Keil (Georgia State University), Peter Neumann (SRI International), Esther Roditti ("Computer Law & Tax Report") and Bruce Webster (PricewaterhouseCoopers) and the *Computerworld* Editorial research team, led by Mari Keefe, for their assistance.