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LABORATORY STUDIES OF IS FAILURE AS ESCALATING COMMITMENT TO A FAILING COURSE OF ACTION: OVERCOMING THE OBSTACLES

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ABSTRACT

Runaway information technology (IT) projects — projects that exhibit significant overruns in project schedule and/or budget — represent a type of IT failure that can cost firms millions of dollars. While such projects have been frequently reported in the press (Betts 1992; Kindel 1992; Rothfeder 1988), this phenomenon has received relatively little attention from information systems researchers. Even though most runaway IT projects are eventually terminated (or significantly scaled down in order to bring them under control), there are anecdotal data suggesting that managers allow these projects to continue for too long before taking corrective action.

Many runaway IT projects appear to represent what can be described as escalating commitment to a failing course of action (Brockner 1992) and we believe that a large number of IT failures can be described in such terms. Escalating commitment to a failing course of action occurs when a decision maker, who receives significant negative feedback concerning a project, continues to allocate resources to the project when a rational decision maker would make the choice to abandon (Brockner 1992; Staw and Ross 1987).

Several theories have been offered to explain this phenomenon including self-justification theory and the so-called sunk cost effect which can be explained by prospect theory. In order to gain a better understanding of runaway IT projects, we have developed a broad-based research program that includes both field-based and laboratory-based studies that are grounded in escalation theory. Here, we focus on the results of a series of controlled experiments that have been conducted to test whether escalation can be observed within an IT context and to learn more about the factors that may promote or impede this phenomenon. Preliminary results indicate that both the level of sunk cost and the presence or absence of an alternative course of action can affect subjects' willingness to continue with an IT project. In the spirit of what Van Maanen (1988) refers to as a "confessional tale," we will discuss the challenges that were encountered in conducting these experiments.

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