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Mark Keil
Georgia State University

Daniel Robey
Georgia State University

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TURNING RUNAWAY SOFTWARE PROJECTS AROUND: THE DE-ESCALATION OF COMMITMENT TO FAILING COURSES OF ACTION

Mark Keil

Daniel Robey

Georgia State University

This paper addresses the costly problem of runaway information systems (IS) development projects, that is, software projects that exhibit *significant cost and schedule overruns*. Runaway projects are a serious and costly concern for IS management. A survey of 365 executives, conducted by the Standish Group, indicated that in 1995 alone, American companies would spend an estimated \$59 billion in cost overruns on runaway IS projects (Johnson 1995).

In many runaway projects, resources are expended long after the signs of danger are first recognized, a phenomenon known as the *escalation of commitment to a failing course of action* (Brockner 1992). Project escalation occurs when managers continue to pour resources into a project despite evidence that the project is not succeeding. Although earlier redirection (or termination) of runaway projects could produce significant cost savings, little is known about how managers actually terminate or redirect such projects. The purpose of this research project was to examine the conditions and actions leading to the *de-escalation* of commitment to runaway software projects.

The research involved a field survey of IS auditors having experience with IS projects that had gone through both a period of escalation as well as a period of de-escalation. Respondents were drawn from a population of 75 IS auditors who indicated a willingness to participate in a follow-up study when they completed an earlier mail survey in 1995 (Mann 1996). These IS auditors were chosen for the current study because of their role in monitoring IS projects. All data for the present study were collected through telephone interviews.

The interviews were guided by a 16 page interview protocol, which consisted of both unstructured and structured portions. The unstructured portion prompted the respondent to tell a story of the events surrounding the project. During this portion of the interview, the respondent was encouraged to identify the turning point in the project where escalation ceased and de-escalation began and to recollect the events that led to de-escalation of commitment to the project. The structured portion of the interview was designed to measure the presence or absence of factors, drawn from the literature, believed to account for de-escalation. All interviews were tape-recorded and transcribed.

The unstructured portion of the interview transcripts was analyzed to learn about the causes and consequences of de-escalation. Each transcript was coded to capture the primary source of information that led to a project's termination or redirection. The actions taken to redirect a project were also drawn from the unstructured portion of the transcripts. Quantitative data from the structured interview questions were analyzed to assess the importance of the factors believed to contribute to de-escalation.

Several outcomes are anticipated from this research. First, it should provide IS executives with specific guides to minimize the occurrence of project escalation and to turn escalating projects around. Second, the study should contribute to the ongoing stream of academic research on project management.

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