Taken from The Australian Financial Review:

"Cut risk or face costly software consequences, warns IT expert"

Australian companies are gambling the future of millions of dollars of software development projects by not implementing simple risk management schemes, an industry study has found.

The study, conducted by Griffith University and Sydney-based software quality firm Tigerteam International, found that fewer then 15 percent of businesses had plans in place to minimise the risks of failure, cost blow-out or delay of their IT projects, despite the fact that 80 percent of "very large" projects and 60 per cent of "large" projects suffered from those problems.

According to Mr James Kelly, a consultant at Tigerteam, the IT community had yet to learn its lesson about minimising the risks surrounding software projects, despite a growing litany of multi-million dollar programming failures here and abroad.

Most recently, the Commonwealth Bank was forced to cancel its MainStream computer system after spending more than $100 million over 5 years on the project.

The cancellation of Westpac's CS90 computer system in 1992 reportedly cost the company $150 million and 500 jobs.

When the London Stock Exchange cancelled its computer-based settlement system, Taurus, it had already paid about $200 million.

And a problem with baggage handling software delayed the opening of the $3.2 billion Denver International Airport by more than a year, at an estimated cost of $1.5 million a day.

In fact, as many as 25 per cent of major IT projects were cancelled before completion; 19 per cent were late by more than a year, and 37 per cent were late by between six and twelve months, Mr Kelly said. Only 1 percent of projects came in ahead of schedule, he said.

"You'd think we'd have learned our lesson, but the biggest risks that can occur in a company relate to the most basic of problems."

The biggest problem, still not properly addressed, was "scope creep". Projects were delayed because they were expanded in scope, and the delay meant that they needed to be upgraded even before they were implemented, which led to further delays and further requirements, he said.

The Tigerteam survey was of 100 "supposedly quality-aware" companies in the Sydney region.

"These were obviously people who had quality in mind, and yet most of them don't have risk plans or any sort of risk management," he said. "A lot of companies have implemented quality systems, and therefore you'd think they have a lot of the processes in place that should manage risk. Unfortunately it often doesn't appear to be so.

"It's one of those areas that everyone thinks would be a really good idea to do, but a lot of people just don't have the time to do anything about it. Normally they will get away with it, because if the project's late, then the project's just late and there's not a lot of feedback given [about why].

"But if they addressed a lot of causes of the project delay, they'd find that if they dealt with the risks at the time thy were initially identified, then that certainly could have sorted out the problems."

"With most of the disasters that you find, if they had just identified those areas of the project that are most at risk, and developed a means of either reducing the risk or minimising its effect if it does happen, then they certainly would not have got anywhere near the sort of trouble they eventually got into. People seem to have forgotten a few, good old-fashioned business and common-sense rules."

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