Top 10 Corporate Information Technology Failures

**AMR Corp.,** **PROJECT:** "Confirm" reservation system for hotel and system for hotel and rental car bookings.

**WHAT HAPPENED?** After three years and $215 million in development, the project crumbled in 1997 as few users acknowledged Confirm. Millions spent on marketing and media, however, would not be recovered. AMR was forced to withdraw funding in June 1997. Confirm's successor, "Confirm Online," won't be introduced until 1999.

**FoxMeyer Corp.** **PROJECT:** SAP ERP system

**WHAT HAPPENED?** Aboungeld 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 $18 million in sales and $23 million in profits. Grainger patiently worked with SAP on fixes.

**Norfolk Southern Corp.** **PROJECT:** Systems integration with merger target Consolidated Rail Corp.

**WHAT HAPPENED?** Norfolk Southern 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 $18 million in sales and $23 million in profits. Grainger patiently worked with SAP on fixes.

**Ford Motor Co.** **PROJECT:** Software for estimating project costs and figuring engineering specifications, to be built and installed by KPMG Consulting

**WHAT HAPPENED?** After a $25 million ERP deal with Andersen results in unsuitable systems for Ford, the industrial engineering firm cited "traust, negligence and neglect" in a $100 million lawsuit in 1995. Andersen later sued KPMG for $50 million over the botched system. Andersen hired its own consultants to implement the system, which is expected to cost more than $100 million.

**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 $12 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—more than $150 million in sales loss compared with the year before. Software and business-process fixes stretched into early this year.

**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 it was in- stallated in 1993, causing $100 million in cutbacks and layoffs. Buses were redirected in some regions while trying to fix problems. The debacle spurred a $1 billion lawsuit for the first half of 1994. The CED and OPO resigned. Trips operates today but Greyhound never repaired its status as a transport powerhouse.

**Oxford Health Plans Inc.** **PROJECT:** New billing and claims-processing system based on Unix International and Oracle Corp. databases


**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 courts claimed in a $20 million lawsuit filed in February. Tri Valley stopped using the Oracle software and stopped paying the vendor. Oracle countered with breach of contract. Tri Valley filed for bankruptcy protection in July. Oracle denies all claims.

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

**WHAT HAPPENED?** After four years and $215 million in development, the project crumbled in 1992 when hackers 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 bullying the project and covering it up. Both suits were later settled for undisclosed terms. Confirm died and AMR took a $950 million write-off.

**Uniroyal Inc.,** **PROJECT:** Conversion to a new order-entry system. Company profits for the period sink 22%—compared to 1993.

**WHAT HAPPENED?** Despite three years of design and implementation, a new order-entry system installed in December 1997 cut the total 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 1993.

**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 Computworld/Editorial research team, led by Mari Keefe, for their assistance.