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How Flawless Software Never Got
Implemented**

**Par : Vital Roy, HEC Montréal
Benoit A. Aubert, HEC Montréal**

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How Flawless Software Never Got Implemented¹**

Vital Roy, Assistant Professor, HEC Montréal
vital.roy@hec.ca

Benoit A. Aubert, Associate Professor, HEC Montréal
guy.pare@hec.ca

Main contact author:

Vital Roy, HEC Montréal
3000 Côte-Ste-Catherine Road, Montréal, Qc H3T 2A7 Canada
Telephone: 514.340.6812
Fax: 514.340.6132

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A Dream Project Turns Nightmare: How Flawless Software Never Got Implemented

Vital Roy and Benoit A. Aubert

Abstract

It was in 1996 that Integra, a large Canadian life insurance institution, launched its *Banking and Loan Insurance Software System* (BLISS) development project with the aim of gaining access to the loan insurance market in small Credit Unions (CUs) across Canada. The company was ready to provide the system free of charge to the Credit Unions on the provision that they commercialize Integra's loan insurance products exclusively. To achieve this goal, Integra entered into a partnership with Intex Consulting, the Canadian subsidiary of a large international information system (IS) integration firm that wanted to gain a foothold in the Canadian banking business. After 1.3 million dollars of investment from each partner and twelve months of intensive efforts, the project came to an abrupt stop. The lessons learned in this case study include: (1) the importance of understanding requirements beyond micro-level user needs, (2) the need to get the enlightened involvement of each interested party in a large complex project, (3) the importance of appraising the specific contribution of each partner in a strategic alliance, and (4) the obstacles faced when entering an unfamiliar market with a new, unproven IS product.

Résumé

C'est en 1996 qu'Integra, une grande entreprise canadienne d'assurance-vie, a lancé son projet de développement d'un système informatisé de gestion de l'assurance prêt (BLISS) dans le but d'accéder au marché d'assurance prêt des petites institutions financières à travers le Canada. La compagnie était prête à fournir le système gratuitement aux institutions à la condition que ces dernières commercialisent exclusivement ses produits d'assurance prêts. À cette fin, Integra a choisi de s'associer avec Intex Consulting, la filiale canadienne d'une grande société internationale d'intégration de systèmes (EST) qui visait pour sa part de se tailler une place dans le marché bancaire canadien. Après avoir investi 1,3 millions de dollars chacun et douze mois d'efforts intensifs, les associés ont convenu de suspendre le projet. Les leçons suivantes se dégagent de cette étude de cas: (1) l'importance de comprendre les besoins de l'utilisateur au delà des détails fonctionnels ou techniques, (2) la nécessité d'obtenir la participation éclairée de chaque partie prenante dans un grand projet complexe, (3) l'importance d'évaluer la contribution spécifique de chaque associé dans une alliance stratégique et, (4) les obstacles à surmonter pour accéder à un marché peu familier avec un nouveau produit qui n'a pas fait ses preuves.

Mots clés

EL07- Outsourcing of IT
FD02 - User Involvement
GB05 - User Requirements
AF1303 - Strategic Alliances

Executive Summary

It was in 1996 that Integra¹, a large Canadian life insurance institution, launched its *Banking and Loan Insurance Software System* (BLISS) development project with the aim of gaining access to the loan insurance market in small Credit Unions (CUs) across Canada. The company was ready to provide the system free of charge to the Credit Unions on the provision that they commercialize Integra's loan insurance products exclusively. To achieve this goal, Integra entered into a partnership with Intex Consulting, the Canadian subsidiary of a large international information system (IS) integration firm that wanted to gain a foothold in the Canadian banking business. After 1.3 million dollars of investment from each partner and twelve months of intensive efforts, the project came to an abrupt stop. The lessons learned in this case study include: (1) the importance of understanding requirements beyond micro-level user needs, (2) the need to get the enlightened involvement of each interested party in a large complex project, (3) the importance of appraising the specific contribution of each partner in a strategic alliance, and (4) the obstacles faced when entering an unfamiliar market with a new, unproven IS product.

Background

The Integra Financial Corporation is a holding company active through its subsidiaries in life insurance, general insurance, trust services, securities brokerage as well as asset and portfolio management. Operating mainly in the province of Quebec (Canada), Integra manages assets in the order of 8 billion dollars and a workforce of more than 2 200 permanent employees. Integra's life operations rank amongst the seven largest in Canada in terms of written premiums².

One of Integra's most successful products (its '*cash cow*' in the words of the CEO) is its Loan and Mortgage Insurance Plan, developed in the early 1980's. With more than two million insured loans, this program is one of the largest group insurance plans of its kind in Canada. Commercialized exclusively through financial institutions in the province of Quebec, this product is totally integrated with the banking systems of the participating institutions. Thus, when a loan application is accepted at one of these institutions, the loan officer can offer his client, on the spot, an insurance policy to cover his or her loan. In return, the participating institution receives a percentage of the premium for its efforts.

This capability is available because the banking systems of the institutions are electronically linked to Integra's insurance management systems. These systems automatically determine the risk exposure of the loan and establish the premium to charge for the insurance coverage. Rates

¹ In order to maintain confidentiality, the name of the companies described in this case, as well as their geographical location and the names of the participants have been disguised.

² Afin de préserver la confidentialité des renseignements, le nom des entreprises décrites dans ce cas, de même que leur localisation géographique et le nom des intervenants ont été déguisés.

are calculated as a function of the balance due on the loan. In other words, the premium declines with each installment applied to the loan. Thus, the client pays an equitable premium for the real financial risk that his loan represents. For example, if the agreed rate of interest charged on the loan is 6.23%, and the life insurance premium is set at 0.07% of the loan, then the actual combined rate will be 6.3% of the outstanding debt. Based on a broad experience in the loan insurance market and a huge database accumulating data since 1984, Integra's actuaries have been able to develop a very proficient risk evaluation algorithm. This algorithm enables the institution to offer an insurance product with practically no exclusions (no more than 1% of all cases are excluded) applying to any particular field of work or the practice of dangerous sports, thus greatly simplifying the administration and lowering the operating costs of the product. Few, if any, of its competitors had attained this level of sophistication.

According to Integra's management, these hard to replicate characteristics gave the firm a persistent competitive advantage over other loan insurance offerings since, as of late 1996, the competition could only offer fixed (and much higher) rates based on the total amount of the loan and had to charge termination penalties when their clients reimbursed their loans ahead of time.

Setting the Stage

While Integra's Loan and Mortgage Insurance product proved to be a huge success in the province of Quebec, the company faced major impediments in its quest to commercialize its leading product in the rest of Canada. One reason for this difficulty is that the Canadian banking sector is fragmented along two basic modes of organization. In the first mode, which comprises the majority of the large financial institutions, banks operate under a federal charter. This charter gives the participating institution the right to operate anywhere in Canada, whereas a provincial charter grants access only to the provincial territory. On the other hand, most of the small institutions, including the Credit Unions, operate under provincial jurisdictions. Historically, and for cultural and political reasons, these small financial institutions have tended to structure themselves into very divergent configurations within each province, and the banking infrastructure of each sector differs somewhat. Whereas in the province of Quebec, the Credit Unions tend to be tightly integrated into large federations and use standardized central banking systems, their counterpart in the other Canadian provinces make do with a bewildering array of banking systems operated at the local or regional levels. As for loan insurance, the CanCoop Life Group, which markets a portfolio of insurance and other non-financial services to Canadian financial cooperatives, Credit Unions and their members, cover most of the loan insurance needs of the Credit Unions. A consortium of companies, including the Credit Union Centrals from each region, a private Canadian insurance company, and one US insurance syndicate, own the CanCoop Life Group. Thus, because of the diversity of the market in the rest of Canada and the very tightly integrated nature of its own systems in the Quebec market, Integra lacked the means to link the banking systems of these institutions to its loan insurance systems. The company was thus effectively locked out from the loan insurance business in the Canadian market outside the Province of Quebec.

Meanwhile, Intex Consulting, which had developed a widely acknowledged expertise in the US banking industry as an integrator and system developer, had been looking for an efficient channel to penetrate the Canadian banking sector. Informal contacts between Integra's IT executives and Intex Consulting representatives at an IS/IT convention in Las Vegas in December 1995 opened the door for a possible cooperation between the two firms. Indeed, Michael Bricino, Integra's CIO and Carl Gagnon, a senior project manager, came back from that meeting convinced that Integra had the opportunity for a breakthrough on the Canadian market, provided it could join forces with a competent and resourceful IT partner. Upon their return to Integra, the two IT managers made a forceful presentation to the First Vice President for Product Development. In essence, their argument was that "We have a good product, we have the best product! Everybody in the Province of Quebec buys it, the Credit Unions will buy it and the consumers will buy it"¹. They believed the loan insurance industry was clearly waiting for such a solution, and that the profitability of the project would far exceed any other project that the organization had ever undertaken.

The First Vice President for Product Development promptly assembled an advisory committee² for the project. Apart from the first V.P. for Product Development, this committee was composed of the President, the First V.P. for Finance, the V.P. for Actuarial and Corporate Services, and the CIO.

The pressing issue, according to Bricino, was the development of an appropriate technology solution to interface Integra's loan insurance systems with its prospective clients' banking and loan systems. If the company could effectively develop a compatible solution, then the CUs would most certainly jump on the occasion and join Integra. In fact, as stated in a white paper circulated within the organization at that time, Integra envisioned itself in the role of a commercial software developer. "*In the same manner as a producer of high volume commercial software, [with the BLISS project], Integra will become a supplier of a software package specializing in the management and the support of insurance products in Canada and even in all of North America*". The ultimate goal was to provide for the insurance needs of the more than 1 200 Credit Unions and other cooperative institutions throughout Canada. Here was an opportunity to easily double Integra's market share in the loan insurance market.

For Donald Lapierre, Integra's president, this strategic opportunity proved to be irresistible and the committee enthusiastically bought into the project. For the members of the new committee, collaborating with Intex Consulting in the venture appeared to be the obvious thing to do, given the complementary nature of each firm's respective competencies, and their convergent business interests. On the one hand, Integra brought to the table a long and very successful experience in

¹ This remark is very similar to the title of a paper written by, Markus and Keil (1994): "If We Build It, They Will come: Designing Information Systems That People Want to Use" which addresses key issues in IS development and system use.

² As the project took form, this committee was later transformed into a more formal Steering Committee.

the loan insurance business. Furthermore, it had a winning product to commercialize. Conversely, Intex Consulting had a proven loan system to offer and brought along impeccable credentials as an information systems integrator.

Case Description

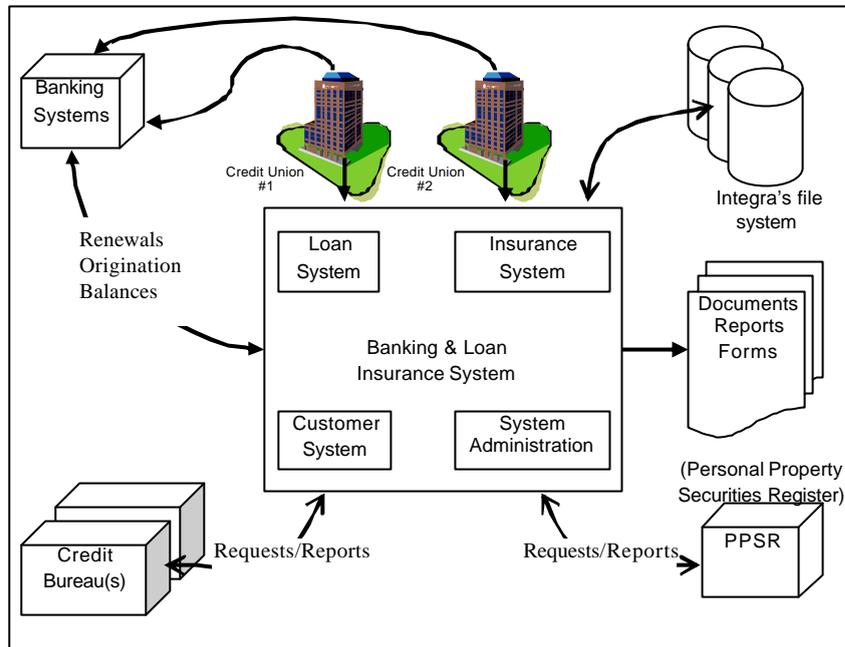
On February 20, 1996, Integra signed a partnership agreement with Intex Consulting for the development and implementation of the Banking and Loan Insurance Software System (BLISS). According to this agreement, Intex would assume the development of the loan system and interface it with both the Integra's insurance systems and the Credit Unions' banking systems in a client-server configuration. Furthermore, Intex would be responsible for the implementation of the new system in each participating Credit Unions and offer technical support thereafter both at the Credit Union level and at Integra's level. For its part, Integra would assume responsibility for developing the client-side loan insurance module (InsurCalc) which would be integrated into Intex's loan system. Integra also had the responsibility of assembling a User Group composed of Credit Unions' representatives and functional managers from Integra. In forming this group, managers from Integra felt confident that they could avoid misspecifying the system. User participation has been advocated for in the IS literature for a long time (Tait and Vessy, 1988). Finally, the company had the responsibility of testing both the loan and the insurance modules of the application, finding suitable pilot sites, and commercializing the new system in Canada. The business flow diagram depicted in Figure 1 puts into perspective the general architecture of the proposed system.

Once implemented in a Credit Union, the system would permit the origination or the renewal of a loan in the banking system of the institution. Simultaneously, the system would initiate the process of risk evaluation and insurance costing for that particular loan by automatically assessing the client's financial background through the link with the Credit Bureau, and validating the transaction through the Personal Property Securities Register Service (PPSR). Finally, with the client's consent and under certain actuarial considerations, the system would compute the premium to be charged for this particular insurance coverage, which would then be incorporated in the monthly reimbursement calculations of the loan. In short, the BLISS system would offer the Credit Unions the same functionalities as those already available to the Quebec institutions and which proved to be such a commercial success.

Figure 1: Business Flow Model

Roles and Responsibilities of Each Partner

With an annual IT operating budget of nearly 8 million dollars, Integra's IT function has ample experience with IS project management. Over the years, IT management had put into place rigorous project management techniques, which contributed to the successful realization of large and complex IS projects. The company was also confident that Intex Consulting possessed the know how to effectively



develop and implement the new system in the Credit Unions branches. A Steering Committee, composed of a very select group of senior executives, was assembled (see Appendix 2 for an overview of the project organization chart). Because of the high strategic potential of the project, it was felt that the venture had to be managed under very stringent security controls. Thus, apart from the project personnel and a few senior executives, only a handful of people at Integra knew in any detail the content and the scope of the project. For these same “obvious” reasons, it was decided that project planning could be put on a fast-track mode, thus bypassing the standard risk management and feasibility studies and the political and economic impact studies of the new system for the prospective clients. That decision would eventually prove to be ill-advised, as later events would clearly demonstrate¹.

For its part, Intex Consulting focused almost exclusively on the technical aspects of the project, relying on Integra's experience and know-how in the loan insurance market for the application design and functionality specifications. The partners laid out everything to ensure the prompt development of an adequate solution: assigning a high priority status to the project; doing a thorough assessment of the integration requirements for the insurance, loan and banking systems; insuring a tight coordination of the project by a coordination committee composed of the project director (Carl Gagnon), the business project leader (Stephanie Lemaire), the development team

¹ On this subject, see Ewusi-Mensah, 1987 and Barki et al., 2001

leader (Judith Tremblay), and Intex Consulting's project manager (Tom Delany)¹. The development effort was subdivided between two teams. The first one, headed by Integra's Judith Tremblay, worked on the loan insurance module to be integrated into Intex's loan systems and on diverse interface modules to link up the BLISS system and Integra's back-office insurance systems.

IT managers felt that they were clearly aligned with the organization business strategy and that they had the indefectible support of higher management. They also had a partner with exceptional technical abilities. Even while acknowledging that the project could present a certain level of risk, they assumed they were in what many would consider an ideal situation for successful project development.

The Development group worked in close cooperation with the Business group. Their task consisted mainly in circumscribing the detailed business requirements for the client side of the insurance module. The definition of the interfaces with outside agencies, such as the Personal Property Securities Register (PPSR), and with Integra's own internal business systems and data repositories also required extensive efforts. The second team, staffed with Intex's personnel, worked on the adaptation in the Canadian Credit Unions' context of the loan and banking systems developed for the US market. Due to the wide variety of circumstances amongst the prospective institutions, the new system had to be flexible, bilingual, modular, and capable of running on multiple platforms such as OS2, Unix, and Windows NT (see Appendix I for a more detailed description of the diverse mix of platforms encountered in the project).

To limit the possibility of competitive intelligence leaks, both partners opted to deal with the implementation details of the project later on, when the preliminary tests would be completed and the application would be ready for deployment. To that end, the project plan called for the formation of a User Group composed of seven representatives from local Credit Unions branches across Canada. The main responsibilities of this group was to participate in the needs and processes revisions, produce the basic business documents, give feedback on functionalities, screens, forms and reports, validate Integra's added-value components and participate in the BLISS integration tests.

At the technological level, the targeted institutions were using a rather disparate IT technological infrastructure. The hardware and the applications varied from region to region, from group to group, and often even within a particular institution (see Appendix 3). Opportunity studies carried out by Integra revealed that these institutions used at least ten different technological platforms. In this context, the BLISS project, as conceived originally, consisted in developing a software solution that could be implemented at these institutions with a minimum of personalization while aiming to support the widest variety of existing IT already in place. The total devel

¹ The Loan Insurance Manager for Canada joined the project coordination committee in the later stages of the development effort.

opment cost of the project topped 2.5 million dollars. Half of this amount (1.3 million dollars) came from Intex Consulting and the other half came from Integra in the form of wages for Integra's personnel (15 managerial staff, 1½ years). The project officially started in January 1996 and ended one year later, in March 1997.

Roles and Responsibilities of Each Partner in the Implementation Phase

With regard to the eventual deployment and exploitation of the new system, as explained by Integra's CIO, both partners signed an agreement delimiting each other responsibilities and participation in the future benefits from the project. Under the terms of this contract, Intex Consulting obtained the exclusive rights to commercialize the new system in the US market. It also had the rights to commercialize it in the Canadian market, but only when authorized by Integra on a client-by-client basis. In both cases, Integra would be entitled to royalties on each sale.

We signed an agreement of joint ownership on the software. Roughly speaking, in the end, we kept the ownership of the system. If, for some reason, we decided to give it to a financial institution that bought our products, we could give it for free. Actually, this is what we wanted from the start. If they [Intex Consulting] found to sell the software outside of our territory [in the US], there were also contractual clauses which bind us and which applied. They could approach a customer on their own and sell the software: they were joint owners. That could create enticements for our insurance products in communities outside of our reach.

Unfolding of the Project

In late December 1995, senior management approved the formation of the Steering Committee and allocated the necessary funds to launch the project. Carl Gagnon immediately set out to the creation of the Coordination Committee. He was given license in choosing the best internal resources available in the persons of Stephanie Lemaire as the business project leader and Judith Tremblay as head of the internal development team. Both managers had extensive experience with Integra's business processes and their supporting information systems and had participated in several highly successful IS projects before.

The project was subdivided into ten main tasks (Table 2), and the roles and responsibilities for each one of them were apportioned to the concerned parties. One of the first tasks of the project team was to assess the needs and processes revision mandated by the project. The first few weeks were thus spent analyzing the implications of extracting the relevant functionalities of the existing loan insurance module and adapting them to the BLISS context.

Efforts were also put into the creation of a User Group composed of CU's representatives that would participate in the project. In all, seven CUs from New Brunswick (1), Ontario (1), Manitoba (1), Saskatchewan (2) and British Columbia (2) accepted to collaborate. Their contribution essentially consisted in individual working sessions at the respondent's premises with representatives of the development team. During those sessions, the development team attempted to assess the functional specifications of the future system from the point of view of each partici

pating institution. By the end of February 1996, a preliminary list of work requirements was compiled and presented to the Steering Committee for approval. These were approved within the following two weeks, allowing the team to start work on a first version of the prototype. In rapid succession, Integra's development team was able to deliver a Prototype Level I, and on May 3^d, the basic functionalities of the InsurCalc module that would eventually be incorporated in the banking module developed by the Intex team.

Meanwhile, work on the completion of the needs and process revision task proceeded rather haltingly. For one thing, it was found that interfacing Integra's file systems was a greater challenge than anticipated. There were actually more than 80 different legacy file systems (hosted on MVS and VSE/ESA platforms) to be integrated in the new BLISS system. At least 15 of these systems had been in service since the 1980's and were slated for major revisions in light of the Year 2000 deadline. Further complicating the process, the Business Project Team insisted in adding what they termed 'value-added components' on top of all the standard utilities already implemented in the existing insurance system. From their point of view, the new system imperatively had to offer sophisticated customization and auditing tools, a flexible report generator, and a complete online help file in order to favorably reflect Integra's high standards of excellence and quality. All these requirements had to fit in a system small enough and efficient enough to operate in a microcomputer based client-server configuration suitable for the smaller CUs.

On the Credit Union side of the project, the collaboration with the CU's representatives did not unfold exactly as planned either. According to the original plans, each CU was to assign a loan officer for the project duration (approximately a 55 person-days effort for needs and process revision and a 70-90 person-days effort for tests and implementation). Of the seven original CUs who had participated in the first round of meetings in February 1996, only three remained more or less active by the end of June 1996. Even with such a reduced input, the development teams nonetheless managed to complete the requirements and process revision report, which was presented to the Coordination Committee in time for their bimonthly meeting on July 10, 1996.

Dec. 15, 1995	Possibility of partnering in a joint IS project is broached with INTEX representatives
Dec. 21, 1995	Steering Committee formed
Jan. 11, 1996	Coordination Committee is created
Jan. 29, 1996	Project is presented to selected CU representatives
Feb. 6, 1996	Signature of partnership agreement with Intex
Feb. 29, 1996	Preliminary list of work requirements submitted
March 21, 1996	Prototype level I completed
May 3, 1996	InsurCalc module completed (basic)
July 10, 1996	Needs and process revision completed
Aug. 23, 1996	A new Coordination Committee director is nominated
Aug. 30, 1996	Banking system modifications completed
Aug. 29, 1996	Prototype level II completed
Sept. 13, 1996	Start of preliminary activities for BLISS implementation in CU's
Dec. 13, 1996	Added-value development completed
Dec. 13, 1996	Prototype level III completed
Jan. 13, 1997	Project is put on hold indefinitely

Table 1: Time Line of Project

Task	Responsibility	Participation	Milestone Schedule
Needs and processes revision	Integra	Intex	June 1996
Development of insurance application (InsurCalc Module)	Integra	Intex/CU	May 1996
Development of loan application	Intex	Integra/CU	July 1996
IT infrastructure adaptation <ul style="list-style-type: none"> • Recommendations • Acquisitions • Implementation 	Intex CU CU	Integra/CU Integra/Intex Integra/Intex	August 1996
Development of value-added components	Integra	Intex/CU	September 1996
Banking system modifications	CU	Intex/Integra	September 1996
Final system tests	Integra/CU	Intex	September 1996
Training	Integra	Intex/CU	October 1996
Implementation	Intex	Integra/CU	November 1996
Support – Help desk	Integra	Intex/CU	November 1996

Table 2: Participants' Responsibilities and Major Milestone Schedule

Carl Gagnon ascribed the lack of CU's participation to the fact that he had had little time to spare to cultivate his contacts with the participating CUs. As he explained to the Steering Committee, most of his efforts were now devoted to coordinating the development teams from each company, and to resolving numerous technical and organizational problems stemming from the fusion of two complex systems developed in very different organizational and business contexts. He felt that the business requirements were now clearly circumscribed, and that only the technical issues were left to resolve. Therefore, the reduced participation of the User Group was not to be perceived as a major problem.

Moreover, Gagnon confided that he felt slightly overwhelmed by the task at hand. He suggested that his time could be better spent at the helm of the project rather than being dispersed as both the project director and the head of the Coordination Committee. The committee members acquiesced to his request and nominated the newly designated V.P. for Product Development, Jim Cochran, to take charge of the Coordination Committee, upon his return from the summer vacations in mid-August.

Cochran was a new player in the project: up to that point, he had not been directly involved in the project.

The BLISS system, when I inherited the project in August 1996, was already on hand and it had been... Its development program, the contracts with Intex had been negotiated and signed before I arrived at the vice-presidency. My predecessor and the management teams in place before that had been absolutely convinced that, in order to sell the loan-insurance product in the Credit Unions network in Canada, it was imperative to develop this information system tool, that the two were inseparable.

Cochran had a long experience in dealing with financial institutions outside the Province of Quebec, having been in charge of the commercialization for Integra of various travel insurance products across Canada. He felt quite comfortable in his new role as an intermediary between Integra and the prospective pool of clients for the new BLISS system. The first clear sign that something was seriously amiss with the project materialized when, in September 1996, the marketing team returned from a field trip empty-handed. Although the Credit Unions' managers generally expressed a genuine interest in the new system, they seemed somewhat reluctant to commit themselves in any meaningful way to the project. This initial disquieting perception crystallized when, a few weeks later, at the end of the development phase, the project managers tried to enlist pilot sites to field-test the new system. As reported by Jim Cochran, the project seemed to hit a brick wall: *"How many do you think that I [have] sold? I have... even when we offered them the system for free, not a single one wanted to become a test site, not even those that had participated in the User Group. They didn't want any part of it!"*

Integra's management speedily setup a crisis management group whose primary task was to find out what had happened and what corrective actions could be undertaken, if any, to bring the project to completion. Jim Cochran, was designated to lead this effort. As explained by Cochran, the first order of the day for the task group was to go back to the Credit Unions and investigate why they had apparently changed their mind regarding the project.

From then on, I decided we should go up the chain [of the Credit Unions]. I found resistance at the Credit Union level, with all the excuses that came with it. I went up to the regional level, and I still had resistance, but with better excuses. I went all the way up to the National Central where I was squarely laughed at. The CanCoop representative said to me: 'Put an ax on this project! Do you want to destroy us? You are asking the Credit Unions to autodestruct themselves. It is plain nonsense!'

To their astonishment, the Coordination Committee members learned that these high level executives had never been consulted by the project management group and therefore, had not had any input on the project. The requirements analysis had been conducted exclusively at the Credit Union level without ever taking into consideration the larger business context of these institutions and their affiliation to regional centrals. Typically, Carl Gagnon and another member of the coordination committee (either Stephanie Lemaire or Judith Tremblay) would meet with some junior executive or a loan officer of the Credit Union branch to discuss the technical aspects of the proposed system. While the requirements were technically sound and the system design filled the specific needs of the branches, surprises were to be expected when considering the larger institutional picture. At no point in the analysis process did it occur to the project sponsors that both the individual Credit Unions and their Centrals had financial stakes in the CanCoop Life Group and that a switch to Integra's products might pose some problems.

As was later discovered by Cochran's team, each Credit Union, each Regional Central and the National Central owned a significant part of this insurance firm, and therefore had good reasons to keep doing business with it. *"The problem was that we were asking potential clients to turn their back on a product with which they were comfortable, which generated important incomes for them, which contributed to the development of their insurance company, which generated*

profits for their provincial Central, which provided them with services, and which generated income for their National Central.” Understandably, the Credit Unions Centrals managers were not very enthusiastic about the idea of having “outsiders” trampling on what they considered as their own territorial business relationships with the Credit Unions.

In hindsight, the task group realized that even if the new system had been offered free of charge, its installation still mandated relatively major investments in network infrastructures and computer equipment for the small Credit Unions, ranging from 100 thousand dollars to more than 1 million dollars per site. More fundamentally, the Centrals would have considered as treasonous the active participation of any of their institutions in the project. In fact, the adherence of the Credit Unions to the BLISS project would have meant a gradual weakening of the financial position of their respective Centrals, since a significant part of their financing came from the profits generated by their participation in the CanCoop Life Group. Project planning had totally overlooked this aspect and it came as a complete surprise to the project managers.

At the end of the fact-finding mission, in January 1997, Jim Cochran knew the Credit Unions would never implement the BLISS system in its present form. *“My boss Donald Lapierre could very well see for himself that this project had been sold quite efficiently by the IT people to Marketing. He could also see that senior management hadn’t had a clear grasp of the scope of the project, and more importantly, that the whole thing had never been validated by the potential market.”* Integra’s management discreetly shelved the project, and negotiated an acceptable settlement with Intex Consulting to put an end to the development effort. Internally, obviously, it was necessary to emerge from the project in an elegant way to avoid the appearance of harassing the intermediate managers who had taken part in that decision.

Current Challenges Facing the Organization

One of the most damaging consequence resulting from this painful episode was the psychological impact on managers regarding future IS development. As reported by Cochran, some of the managers were positively terrorized at the idea of launching large innovative IS projects. *“Because, when word passed that the BLISS project was a failure and heads began rolling (even if done discreetly), what was the motivation for a senior manager to venture into a project with a high technological risk? They shut their eyes and put ‘X’ on it. They said: ‘I would rather find another solution’, which of course was not in the best long-term interests of Integra”.* Eventually, Integra would have to find an acceptable conclusion for this situation and regain confidence in its capability to integrate in an efficient manner promising IT tools to its strategic business plans. On the positive side, the incident prompted the formation of a task committee headed by Cochran, whose objective was the reassessment of the decision process for systems procurement at Integra. As explained by Cochran, the procurement process was found to be ill defined and failed to assign clear responsibilities.

How were we trapped in this mess in the first place and why did it catch everyone off-guard? I would say that... the pain is still rather fresh and we pay a little more attention. However, I am not convinced that the lessons are anchored in our [procurement] processes. As long as those who suffered do not make the same errors twice... But eventually, there will be a

rotation of managers. For those who will take over and who will not have lived through BLISS, there are no guarantees that they will not repeat the same errors. We do have to find a mechanism to anchor these lessons in our decision processes.

Thus, in the early months of 1997, Integra's management was assessing the situation and trying to find an appropriate course of action.

Jim Cochran, V.P. for Product Development, was still trying to figure out a way to gain access to the Canadian market. He was convinced that Integra's loan insurance product was better than the competition's, that the system supporting it was sound and reliable, and that somehow, there had to be a way to overcome the obstacles at hand. How could the millions of dollars that had already been spent on the project be salvaged?

Michael Bricino, the CIO, had a different preoccupation. For him, the IT department had to learn from this experience. What had gone wrong? He had recently read about failed software projects (Glass, 1997; Lyytinen and Hirschheim, 1987) and he was wondering where his project would fit. The system was technically adequate, but somehow it failed to respond to the intended users' goals. The lessons from this project had to be drawn so that the mistakes would not be repeated. It would be too costly for the firm, and much too damaging for the reputation of the IT organization. Meanwhile, he had the disagreeable feeling that his career at Integra was somewhat compromised.

On the other side of the building, the First VP Finance was tapping her fingers on her desk. Clearly, a significant risk had been taken and the company had miscalculated the odds. On the one hand, she felt the need to provide better risk assessment for IT projects to prevent the firm from entering into such costly misadventures. On the other hand, she was worried about the potential damaging effect of the project on the managers' attitude toward risk. If the outcome was that managers, in the future, would avoid all risky projects, the company would indubitably suffer. In her opinion, appropriate risk management did not mean systematic risk avoidance.

For his part, the CEO of the organization was perplexed. Clearly, this was a major dead-end for such a key and promising project. As chairman of the board and chief executive officer of the company, he was accountable for the project to the board of directors and to the shareholders. Mr. Lapierre was trying to analyze the unfolding of the project and realized it was very difficult to assign clear responsibility for the outcome. Most players had followed rational routes. He also felt that the confidence of his management team had been bruised and that morale was severely lowered. What should the next steps be?

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Appendix 1

Abstract from Integra Financial Corporation Report (1997)

Integra Financial Corporation operates principally in the Province of Quebec, Canada. The operations of the company cover the development, marketing and administration of individual and group insurance products (life, accident and health), retirement savings products and investment management. It also offers insurance services developed for the members, employees and directors of financial institutions and Credit Unions in Canada.

Total assets under management	\$8,555.1 million
Assets (corporate fund)	\$5,343.3 million
Insurance premiums and annuities	\$1,059.8 million
Net earnings	\$73.8 million
Insurance in force	\$80.6 billion
Canadian market share	7%
Number of permanent employees	2,200
Number of representatives	1,900

Ratings

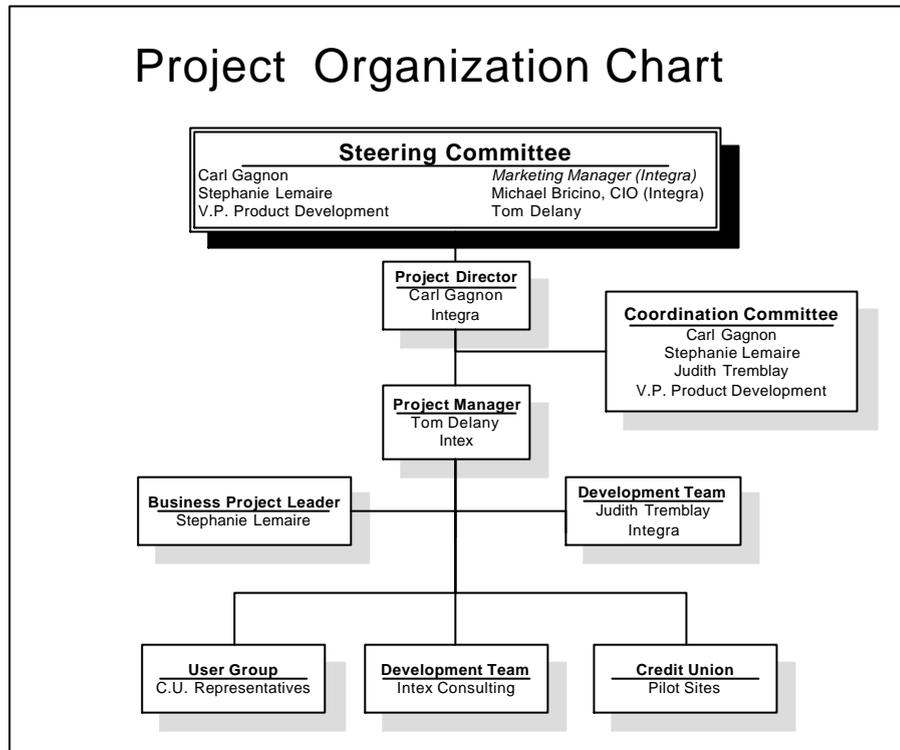
DBRS: AA (low)

CBRS: AA

Moody's: Aa3

Standard & Poor's: AA

Appendix 2



Appendix 3

Abstract from the Needs and Processes Revision Report

"Technologically", the current situation of the Credit Unions is hybrid. It does not represent a uniform data-processing environment. Indeed, each province, each Central and often each individual Credit Union has its own specific information systems. During the opportunity study, several dozens of different technological combinations were identified. In this context, the innovation of this project consists in developing a software application which can be sold and installed at the customer institution with the minimum of adaptation and personalization while at the same time having to support the maximum of data-processing environments already in place. Among the systems that were identified, were: Observation, TLA, Loan-Pro II, RBS, Quick Quote, Loan-Calc II, CUIS-Link, Loan Origination System, XY+ III, AVD/Credit Unions, InsurCalc, Vision West.

The hardware supporting the banking structures comes from numerous manufacturers. Therefore, the client portion of the software had to be compatible with several combinations of hardware and operating systems. The main hardware suppliers were:

- GEAC
- Unisys
- IBM

The operating systems installed on these computers were MVS, VSE and VM.

There were also several micro or minis that were used by the CUs. These systems were used to process the loans, and therefore would have to be integrated with the new application. They run on a wide variety of operating systems, among them: UNIX, DOS, OS2, Windows NT, Windows under DOS.

All these complex combinations of software and hardware would have to interact simultaneously with Integra's mainframes, which were running on MVS and VSE/ESA.