



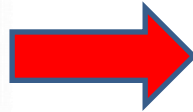
# IT Projects

## How to ensure alignment with the business and drive innovation

30<sup>th</sup> Anniversary of IRI, Leibniz University, Hannover  
8 November 2013

Susan Atkinson  
Keystone Law

# Complex projects in the news



# The statistics on complex projects

- 68% of all complex projects fail

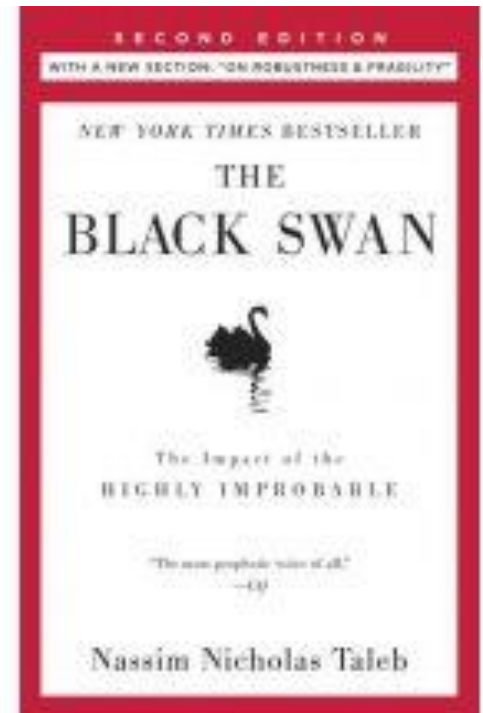
*Cranfield School of Management*

- One in six IT projects has a cost overrun of 200% on average and a schedule overrun of almost 70%

*'Why your IT project may be riskier than you think'*  
by Alexander Budzier & Bent Flyvbjerg  
Harvard Business Review, 2011

- A *'black swan'* – a high-impact event that is rare and unpredictable but in retrospect seems not so improbable

Nassim Nicholas Taleb



# Influences behind the traditional contract

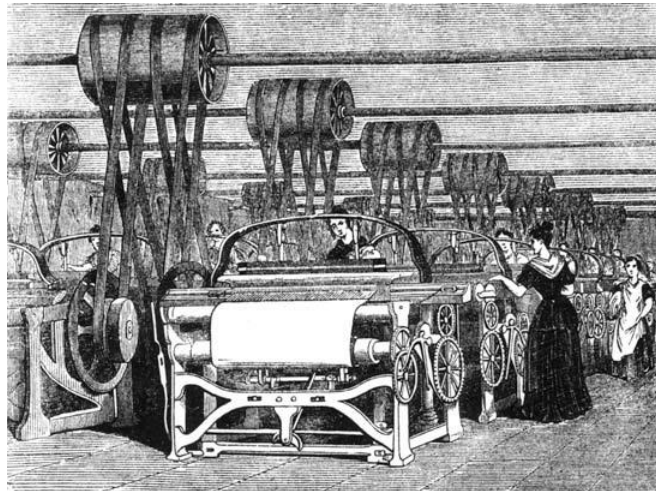
*Sir Isaac  
Newton*  
1642-1727



**The Industrial Revolution**  
1750-1850



**20<sup>th</sup> century  
US manufacturing**



*Frederick  
Taylor*  
1856-1915



Alfred P. Sloan



*Henry Ford*



# The premises underlying the traditional contract

*“In the decades following the Industrial Revolution, many businesses were built up around factories which were essentially machines, and the people needed to operate them were integrated into them like the proverbial cogs. The machine became the model for business as a whole. Machines are designed to carry out a set of definable tasks and they do so if properly controlled by their operators. Machines are mindless, they just do what their designers want. If something goes wrong it is because a part has malfunctioned and needs to be repaired or replaced.”*

*‘The Art of Acton’ by Stephen Bungay*

- In principle it is possible to know all you need to know to be able to plan what to do
- Planners and does should be separated
- “There is but one right way.”

# Friction - why the traditional premises break down

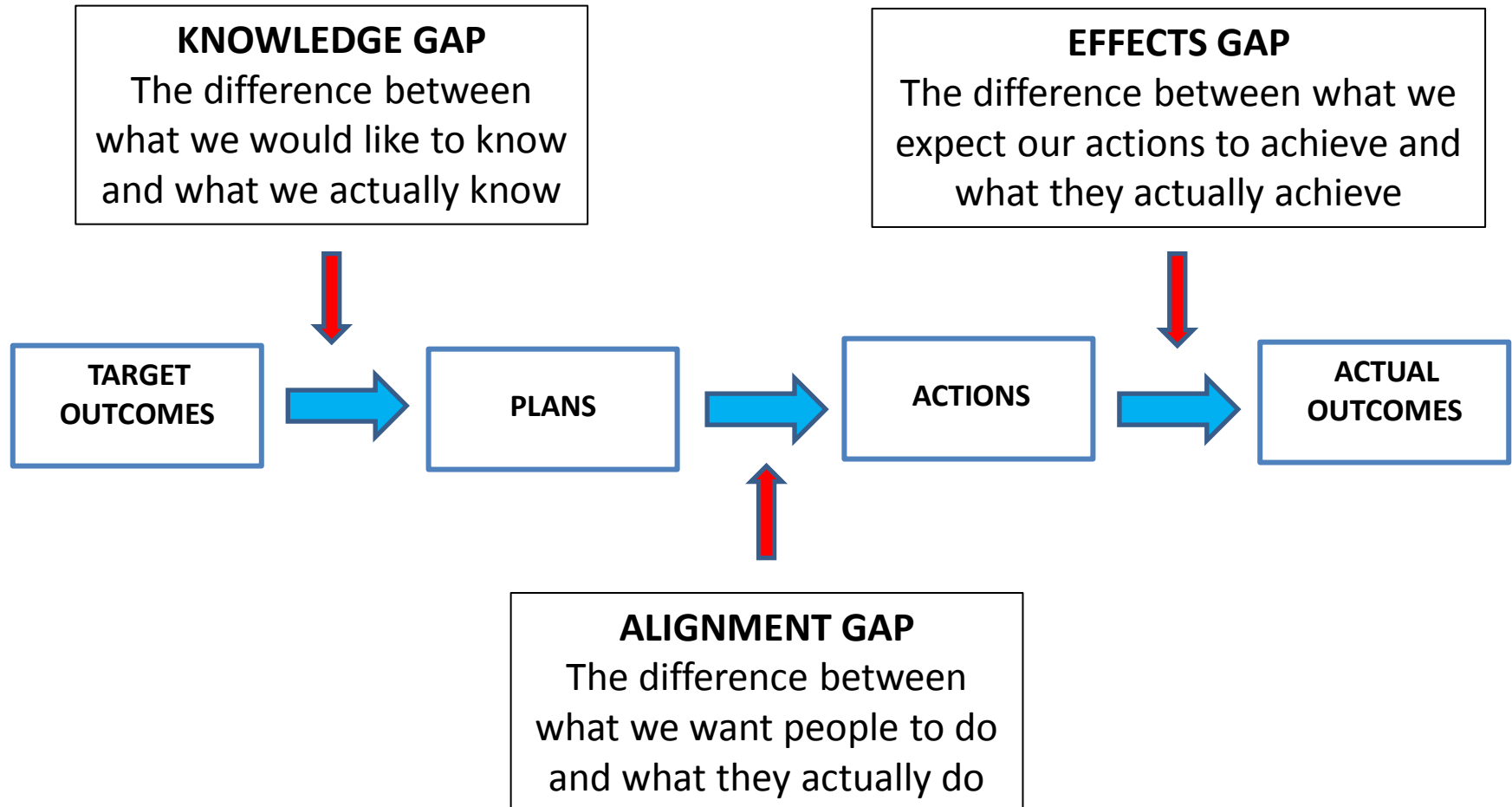
*“**Friction**’ is the totality of uncertainties, errors, accidents, technical difficulties, the unforeseen and their effect on decisions, morale and actions.”*

A study on Clausewitz in ‘Makers of Modern Strategy’ by Peter Paret, 2000

*“So it is in war, through an accumulation of innumerable petty circumstances which could never be taken into account on paper, everything deteriorates and you find that you are far from achieving your goal.”*

Vom Kriege (On War) by Carl von Clausewitz, 1832

# The effect of friction



# Issues caused by traditional contracts

- **KNOWLEDGE GAP** - Specifying too much detail in the contract creates uncertainty
- **ALIGNMENT GAP** - Using a contract to regulate at a micro level the activities of a project is dysfunctional
- **ALIGNMENT / EFFECTS GAP** - The contract fails to respond adequately to change:
  - Members of the team are not empowered to use their own initiative
  - Change control requests are time-consuming, expensive and add no real value
  - Change control requests can destabilise the project and can lead to a *'Frankenbuild'*



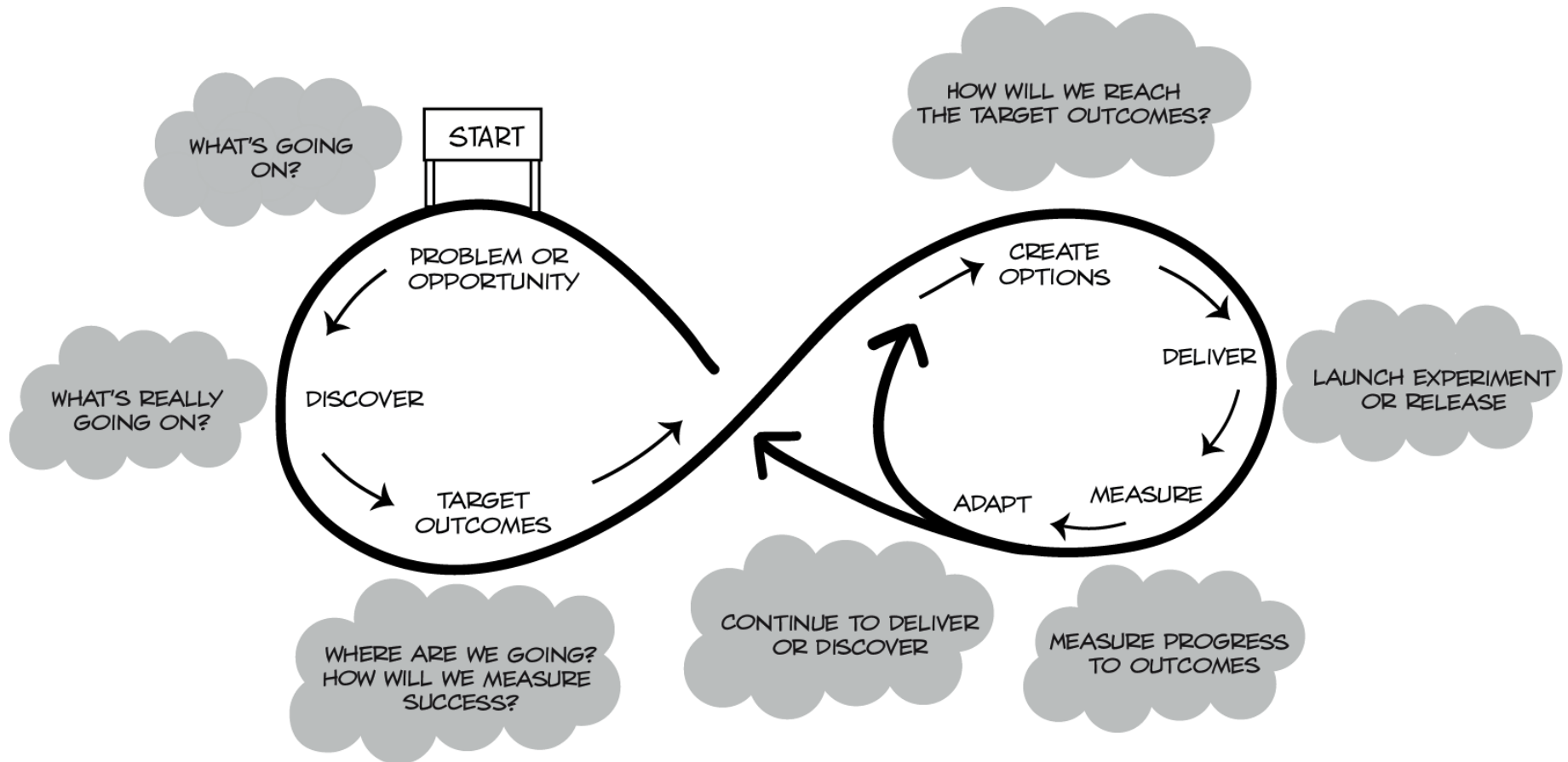
# The military doctrine for manoeuvre warfare

*‘No plan survives contact with the enemy’*

The Elder von Moltke, 1866

- **Decide what really matters** – formulate your strategy as an intent
- **Get the message across** – make sure everyone understands **what** you want to achieve and **why**
- **Give the team space and support:**
  - encourage people to adapt their actions to realise the overall intention
  - create boundaries which are broad enough for the team to take decisions for themselves and to act upon them

# The 007 Model



# The Flexible Contract

- An open source, outcome-based contract
- Freely available at [www.flexiblecontracts.com](http://www.flexiblecontracts.com) under a Creative Commons license
- Created by Susan Atkinson and Gabrielle Benefield
- Case studies and any feedback greatly appreciated!





# Thank You!

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