The Queensland Health Payroll System Debacle: Lessons for IT Projects

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Project Management

A key element of the Queensland Government’s procurement strategy was to appoint IBM as the “prime contractor”. Under this model, the Government appointed IBM to deliver the entire Queensland Health payroll system and to manage as many subcontractors as it required to provide the various components of the system.

The Report criticised the Government for not properly considering the pros and cons of the prime contractor approach or considering alternative strategies:

There was no evidence that [the prime contractor approach] was given any serious thought, analysis or consideration. It appears to have been seized upon as an answer to [the Government’s] technical and budgetary difficulties.

More importantly, the Report criticised the Government for assuming that the appointment of a prime contractor would release the Government from the responsibility of managing the project itself:

What is clear, and should have been obvious at the time, is that the appointment of a Prime Contractor did not absolve the State from its responsibilities for insisting that the Prime Contractor deliver what the contract required and for ensuring that the [system] was implemented effectively and within the contract price... It had to monitor the performance of the contract and intervene, as the contract permitted, where appropriate ... it did not do so.

While a prime contractor should have extensive project management responsibilities under its contract, it is still critical that the customer actively supervises and manages
their performance - if only because the customer has much more at stake in the outcome of the project than the contractor.

The Report also criticised the Government for not exercising its rights to direct IBM’s performance when it had the chance. IBM issued a large number of change requests over the course of the project that altered the scope of the project and the fees payable by the Government. These change requests more than quadrupled the contract price. Yet the Government rarely objected to these change requests for fear of the delay and political consequences involved if the requests were not accepted and IBM withdrew from the project:

Attempts by officers . . . to invoke rights given to the State under the contract were thwarted by more senior officials who preferred to negotiate with IBM and exhort it to greater effort. Opportunities which the contract gave the State, or which it obtained by way of variations to the contract, to extricate itself, or reset the scope of the contract, were let go or ignored. Standards which had been preset to ensure that the system when delivered would function adequately were lessened or voided so as to permit implementation.

Similarly, the Government agreed to “go live” with the system when it still had a large number of major defects. The evidence suggested that this was because the Government had spent a lot of money and that backing out of the project at that point would have had severe political consequences. Several of the personnel involved also appeared to have convinced themselves that failure of the old system was imminent and that they had no choice but to “go live”, when in fact no examination of the old system was undertaken to assess the actual risk of this happening.

In the private sector “commercial consequences” may replace “political consequences”, but this situation is not uncommon. It is difficult to decide to pause or abort a project once underway, particularly if a substantial amount of money has already been spent. Delaying or cancelling the project is likely to be seen as a failure and those associated with the failure may lose their jobs; therefore those people have a vested interest in continuing the project even as the chances of success diminish. They convince
themselves that the chances of success are greater than they appear or that they have no option but to continue. If the project has continued for a long time and they can blame their predecessors for past mistakes, then they have even less incentive to make difficult decisions.


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