

ERP Failure #9: Actual Case – Integrator Sues for \$100mm For Unreasonable Contract Termination *Transcript* © 2015-2017 by Warren S. Reid All Rights Reserved

The System and the Parties

This case involved one of the world's largest vehicle dispatching organizations (the "Dispatcher") and complicated computer-aided dispatch (CAD) systems which included first-time use of mobile data terminals and GPS in every patrol car. The system had to handle hazardous situations, assist local police department dispatching, and needed to be redundant and fault-tolerant during critical needs situations such as earthquakes, tornados or other disasters.

The opposing party, the "Integrator", a billion dollar plus consulting firm rightly believed that integrating this particular CAD system would give it worldwide renown and instant credibility.

The Complaint

The Integrator sued the Dispatcher for over 100 million dollars though the contract was only a fraction of that, charging that the Dispatcher's unreasonable contract termination negatively affected their future business worldwide. Among other things, they sued for future profits lost.

The Integrator further blamed its inability to finish on the Dispatcher's alleged reluctance to freeze specifications. Despite this, the Integrator claimed to need only a few more weeks to deliver a fully tested and functional system.

The Analyses, Strategies, and Opinions

With a review of tens of thousands of documents and interviews with Dispatcher employees, we concluded:

- * *The Project Was Horribly Underestimated* - no formal estimating methodology was used. Furthermore, we believed the architecture was wrong from the beginning. The otherwise experienced Integrator grossly underestimated and understaffed that critical path part of the project.
- * *The Integrator Was Unaware of the User's Needs* - The Integrator claimed to be the expert (or have available expert subcontractors) in certain required functionalities. We believed those functionalities were manifestly evident or, as a CAD expert, the Integrator "should have known" about them. Burying its head -- or calling each requirement a "change" -- was no defense.
- * *Project Management Tools were Deficient* - While the submitted work plans and work breakdown structure appeared to be adequate, the project staff did not charge their

time properly to these task levels. Automated time and project management tools were of little value if the data was incorrect, late, or incomplete.

- * *The Staff Was Unfit, Inadequate, And Poorly Managed* - We found letters showing the lack of a Chief Engineer and high turnover among Senior Software Analysts. We noted staff being pulled off this job to work on other jobs that the Integrator believed were even bigger emergencies.

On December 24, one of the key testing managers quit the company, and we discovered what we hoped would be "a smoking gun" -- a personnel evaluation letter stating that the manager over her head, without adequate training or support to handle this size job. However, opposing counsel responded that the letters were hastily drafted, the boss was distracted, and "this sour grapes" letter didn't reflect the departing manager's work.

- * *The System's Quality Was Poor* – Failure to use a formal or consistent systems development methodology exacerbated the poor quality. The lack of standards, plus ineffective walkthroughs during the requirements, analysis, and systems design phases meant the system was haphazardly pieced together making thorough testing of fail-over and other critical functions nearly impossible and maintenance very difficult -- if possible at all.
- * *Testing* - There was no formal testing organization, nor did management give the testing group the power to delay progress or halt the release of a defective product. There was no requirements traceability matrix, nor a standard regression test environment. Furthermore, test plans showed inadequate stress, fault tolerance, quality assurance, and "bad data/boundary" tests.
- * *Just 'Round the Corner* - The Integrator tried to tell the Court that a fully functional system was just around the corner. We reviewed the design in detail and concluded that the only way to make the system perform reliably was to start again.

The Verdict

The Integrator Company was an "employee-owned" company in a city then experiencing a harsh recession. While the local jury said penalizing its own citizenry was extremely difficult, they awarded over \$1,000,000.00 to the Dispatcher to cover attorney fees – from \$100 million against to \$1 million for, a stunning victory indeed!

We are here to help. More information about WSR Consulting Group, LLC, is available at <http://wsrcg.com>

Questions or comments?

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