

Optimism Bias of Governance Groups

A defence against lack of presumed knowledge

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Optimism bias is frequently identified as a reason governance bodies 'did not look hard enough' at the dynamics of information system projects and consequently continued to fund and support the work in spite of dynamics which would suggest otherwise. This paper conjectures optimism bias as a defence against the anxiety associated with lack of knowledge of those dynamics by members of governance bodies. As a project is increasingly disrupted by failing tasks and budget pressures, the optimism bias defence cannot be sustained resulting in dysfunction of the governance group itself and ultimate failure of the project.

Introduction

This paper offers some thoughts on a possible cause of the staggeringly high and consistent failure rate of information system projects. The paper was initially presented at a conference with the intention of stimulating discussion and perhaps more rigorous research by those better placed to do so than myself. The focus of the presentation and my remarks here is the possibility that optimism bias which is often attributed to project governance groups when projects fail, is an unconscious defence against the group's anxiety. I speculate that the anxiety arises because executives appointed to governance roles do not in general understand the culture and dynamics of information system projects and the cultural role of information itself, however, their appointment to the governance role implies to the organisation and to themselves, that they do.

For many years I have been engaged by international, government and corporate institutions to mediate information system projects which were not meeting expectations and in most cases failing at enormous financial costs. This paper is based on those experiences and my observations of other IT projects described by colleagues or in the press.

A methodological problem

The first hurdle is to define project failure. In very rare circumstances a project will be stopped completely and labelled a failure. The attribution for the failure within the organisation is never 'we couldn't manage it', but rather that a particular vendor or consulting firm or some other exogenous event did the damage. More often, a failing project will be stopped by morphing it into another project or by adding incidental requirements to it and declaring that it's processing appropriately. The most frequent case of a failed project in my view is one in which some of its originally committed and funded functions are implemented but important others are not, such as a payroll system which accesses employee records well but persistently miscalculates their pay.

The definitional complexity combined with reluctance to disclose project difficulties and full costing, make research into this area immensely difficult with even the best research hampered by lack of detailed information. Of the many attempts to identify the causes of failure the most prevalent is

‘governance failure’ the vagueness of which reflects the definitional issues and lack of disclosure. After all, if the precise causes were known they wouldn’t be repeated and would be more explicitly addressed by IT project methodologies and quality assurance processes.

My task here is not to review the literature but to suggest from my experience a cause of the failure based on experience and in particular to unpack the ubiquitous post project assessment that the governance board did ‘not look hard enough’.

The symptom

Some publicly available information on system projects provide a context. Between 64% and 80% of information system projects fail either completely or significantly (ICT Procurement taskforce, accessed 2017 p.26). These statistics have persisted for decades on a worldwide basis. Examples include: the delayed opening of the New Royal Adelaide Hospital due to failures of its \$400m+ patient record system; termination of the Victorian Government’s “healthsmart” system after costs exceeded 150% of budget; the \$1.2 billion cost blowout of the Queensland Government’s Health payroll system after initial estimate of \$300m; termination of the UK’s national health database at a cost of £10b; and, the scrapped \$500 million NSW TAFE IT system.

Audit reports of failed projects frequently state that the governance group did *not look hard enough* which seems to mean they didn’t fully assess whatever it was that eventually went wrong.

The quandary is why does this failure rate continue when most projects are conducted by reputable and experienced consulting firms using well respected methodologies governed by senior staff, and when this history of failure is well known?

The dynamics

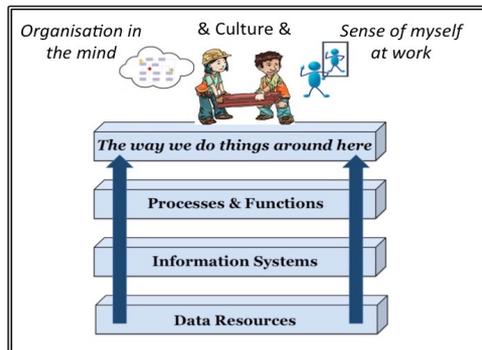
Seventy-five percent of executives believe their information system projects will fail according to a report by the Geneca Group (accessed 2017). The finding suggests there is more involved in project failure than a failure to tick every box of a project plan. This sentiment has recently extended to government reluctance to include major IT projects in strategy plans. There is a resistance to fund information system proposals for reasons characterised in an August 2017 report of Australia’s Digital Transformation agency as a ‘fear of external scrutiny of decisions’ by bureaucrats managing IT projects (ICT Procurement task force *ibid.* p.26.).

This advanced expectation of failure may become self-fulfilling. When executives who are appointed to the governance board meet as a group, they carry this expectation, possibly with slight individual differences at a conscious level and probably with unconscious resonances. They certainly cannot assert their lack of confidence in an organisationally ordained and funded project since that would immediately undermine the trust and expectation surrounding their appointment.

There are three aspects to the dynamics which underpin these failures:

- a) The cultural role of information in the organisation;
- b) Cascading optimism throughout the project structure;
- c) The anxiety of governance bodies arising from their misrecognition of that cultural role.

a) *The cultural roles of information in the organisation*



Information system guru, the late James Martin, claimed that data is the most invariant aspect of the organisation. People come and go and structures may change but the core data remains pretty much the same and provides cultural stability for *the way we do things around here*.

This stability supports people's sense of themselves at work in concert with their 'organisation in the mind' (Armstrong 2005). The possibility of changes to this stability through new data and supporting systems can very often be perceived as a threat against which

resistance will arise.

The top ten reasons for project failure, published by the Australian newspaper (2004) reveals a consistent reference to issues signifying organisational culture. These are: lack of proper senior management sponsorship; complexity of stakeholder relationships; poor management of expectations; poor corporate governance; mistaking the non-project effort required; scope creep; culture of denial; poor resourcing employing the B-team; and underestimating project management importance.

The phrase *culture eats strategy for breakfast* (Quora 2016) seems to apply to each of the top ten reasons, not one of which is technical in any system-computer sense. The diagram reflects the symbiotic nature of organisational culture and data.

The reasons proposed for failure point to overt and covert resistances that arise to preserve prevailing culture. An example of such resistance is described in the following vignette.

A vignette – prevailing of culture

I reviewed a stalled project in which the organisation and the vendor were at a litigious impasse. Operational staff engaged in the project had reported to their governance group that the impasse was entirely a failure of the vendor to understand the requirements for the work. Interviews with the staff identified their collective concern that the new system with its advanced logic would remove their discretion when negotiating with their clients. This capacity for discretion was fundamental to the group's culture and their sense of satisfaction with their roles but was unable to be acknowledged. Their criticism of the vendor was entirely based on the incomplete and confused requirements they provided. When their concerns for role were addressed and an emotionally safe environment developed for transition to new operating protocols, the project was successfully completed, somewhat confirming the notion that *reason is emotion's slave*.

Cultural resistances as described in the vignette pose challenges to projects which governance groups are expected to identify and manage: The Tasmanian Government for example expect its governance bodies to:

- *Ensure that strategies to address potential threats to the project's success have been identified, costed and approved, and that the threats are regularly re-assessed, and*
- *Address any issue which has major implications for the project* (Tasmanian Government Framework Committee 2008. p.3.).

The vignette highlights the difficulty of governance bodies in seeing anything but project tasks as reported by project staff. The group may well 'look hard' at those tasks but through the lens of an optimism cloud.

b) Cascading optimism throughout the project structure

A vignette – Optimism Dreams

I reviewed an information system project which was continually failing to meet its tasks on time and with the necessary quality. Reports from team members to their project director and from her to the governance group were consistently positive and provided apparently plausible rationales for the difficulties. In one session with the team I mentioned, as an aside that people dream multiple times at night and it seemed possible that some of those dreams relate to work. Within the next couple of days two senior team members met with me and described dreams which seemed to them to suggest the project was rocky and incongruous to the reports they had filed. They described their sense that senior people 'did not want to hear' reasons why the work might fail. As external contractors these team members did not want the project stopped due to difficulties finding new engagements.

As optimistic reports cascade upwards within the project hierarchy they provide support for positive bias influencing reports produced by each successive level. The understanding of organisational dynamics at each level is not sufficient, in my observation, to raise questions on anything but manifest issues of time to complete, budget and available resources. Identifying latent dynamics is typically beyond the knowledge and experience of each organisational layer. Reporting any such concerns by an IT project team would risk ridicule as 'playing politics beyond your scope'.

c) The anxiety of governance bodies arising from their lack of presumed knowledge

Entering the governance board room, members of the group carry their unexpressed expectations of failure, perhaps in line with the associative unconscious (Long & Harney 2016. p.9.) where their individual expectations while not precisely identical in all aspects contribute to the overall shared unconscious sense of impending failure. Initially at least this sense is mediated by what I call the 'optimism fog' created by the cascading optimistic reports.

The difficulty here is that people are selected for governance roles based on their known competence in other roles. They are typically senior people, often the heads of divisions such as finance, human resources and marketing. However, neither their expertise nor experience extends to understanding the organisation's psycho-social dynamics that give rise to the covert and overt resistances which ultimately present as the 'reasons' for failure.

Moreover those appointing governance roles also lack this understanding and as Elliot Jacques noted "...the failure to clarify and specify the requirements of roles [leads to] ... gross mismatches between the difficulty of roles and the capability of their incumbents" (Armstrong 2005. p.102.). Consequently,

everyone from the top to the bottom of the organisational project can be implicated in it.

Initially the explanations and remedies for difficulties seem reasonable to everyone but as resistances continue, a sense of unease develops within the governance group. This is likely to be felt at first rather than concretely articulated and perhaps can be described as a sense of something 'not known' but sensed (Bollas 1991. pp.208-210.).

For the group to call for a review or to halt the work would focus attention on their lack of capacity to manage and would threaten their prestige and the organisation's perceptions of them. As a result, the group sees continuation of the work as their only viable option so long as it is accompanied by optimism for a successful outcome.

Optimism bias as a social defence and its ultimate failure

Sigmund Freud wrote that an unconscious defence is used to protect the ego against an assumed assault. There are numerous examples of these defences. The defence of 'reaction formation' may be used by an executive to give wholehearted support to a project which he/she stridently opposes but voicing opposition would produce friction with powerful others. Another example is the defence of 'splitting' where reality can be denied in the service of, say, self-interest. Organisational rituals can also act as social defences against anxiety.

Isabel Menzies-Lyth (1960. p101.) addressed a particular type of defensive system in her classic study of dysfunction in a teaching hospital. She described a social defence system that *develops overtime as the result of collusive interaction and agreement, often unconscious, between members of the organisation as to what form it [the 'choice' of defences] shall take.*

The social defence develops from a combination of dynamics within the organisational or social system, and may take different forms as noted above (Armstrong & Rustin 2015). Some of these defensive behaviours described by Menzies-Lyth were: *'Detachment and denial of feelings, denial of the significance of the individual, attempts to eliminate decisions by ritual task performance, reducing the weight of responsibility in decision making by checks and counterchecks, and avoidance of change'* (Menzies-Lyth 1960. p103.). This gamut of defences against anxiety' arose in response to the anxiety created by the nature of the nurse's work, by lack of experience, knowledge and management structure.

Wilfred Bion (1961) believed that a group experiencing anxiety becomes unconsciously introspective, distancing itself from external information and other influences from outside. Often project teams physically isolate themselves in separate project-only locations and can develop restrictive protocols for communications with the outside along with 'team building' exercises within.

Such introspective detachment creates a collective myopic view of the project. The focus is exclusively on the project plan tasks and remedial action. The team frequently develops ritualistic behaviours including games, afterhours parties and internal reporting protocols which appear as defences against project team anxiety (Hirschhorn 1988. P.67.). The reports submitted to the governance group from this environment are optimistic as noted, and are both vacant and impenetrable beyond specific project task status.

The potential for disruption to the project is heightened because the project becomes an object, something that can be looked at as separate to the organisation. Negative rumour, politics and commercial self-interest can be directed at this object without necessarily being seen as anti-organisation. A fight/flight dynamic can develop within the project as part of this sense of separateness and isolation (Bion 1961).

Failure of the optimism bias defence

As project difficulties continue and become increasingly public, questions of why do they continue are accompanied by ‘do they know what they’re doing?’ As a result, the optimism bias defence begins to fail; it cannot cover the lack of knowledge any longer. In a sense the defence and what it is defending become indistinguishable and the anxiety acts-out in different ways (Menzies–Lyth 1960).

Tensions then arise within the governance group; first against team members and methods and then each other. Individual members can become increasingly detached from the project, their attendance at meetings reduces and their interest in understanding details of the work declines in favour of routine processes related to who is responsible for what on the project plan. Standard methodology-based reporting by project staff that was once acceptable becomes viewed as inadequate by the governance group. Members start communicating their concerns to those outside the group. In short, the governance group becomes dysfunctional itself which leads to reconsideration of the project by senior management. This is often accompanied by project audits and reviews.

A vignette – collision of signifier and signified

On a number of occasions over a three-year period a governance group comprising very senior executives had extended the schedule and funding of a large technically and functionally innovative project. My engagement was to consult on ways to manage a major stakeholder impasse within what was described as the final funding tranche. Although the governance committee was reporting that feasible resolution was in hand, my discussions with stakeholders suggested quite the opposite.

These stakeholder positions were anticipated early in the project’s life but assumed by governance members to be within their capacity to resolve. As difficulties arose the lack of ability to manage is likely to have been felt by the group rather than consciously acknowledged. When the difficulties escalate, the optimistic bias defence and the anxiety for role performance eventually collide resulting in governance chaos, as Menzies-Lyth (1960. pp114-116.) notes.

Governance meetings subsequently became fraught with member attacks on the project director and team members, and criticisms of the departments and divisions of other members. The resolution involved expanding the project horizon well beyond the initial affected area, introduction of new stakeholders and collaborative development of working protocols.

Conclusion

Oscar Wilde wrote that *the basis of optimism is sheer terror* which certainly applies to dynamics of the optimism bias defence and the image of culture eating strategy for breakfast.

Not looking hard enough can be avoided through application of approaches such as socioanalytic methods which look behind the project plan to the organisational culture and dynamics and can anticipate and mediate the power and effectiveness of the culture 'hitting back'.

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Biographical note

James Walker is an executive coach and psychotherapist in Melbourne. He has held faculty positions with the American University (Graduate School of Business) and the University of Southern California (USC health sciences campus), and has consulted extensively to the World Bank, IMF, Australian Banks and State and Federal Governments on strategic planning and delivery of initiatives. He has worked as a psychotherapist in hospital and private settings with a psychoanalytic orientation. He is a joint recipient of USC's teaching and research award.