DAV management

redefining the management of change

Why right first time matters

How taking the right approach is the bedrock to programme success

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Why right first time matters

As we move into more positive economic times more organisations are feeling confident to embark upon significant programmes of change in order to boost their efficiency and growth. In this paper, we review the approach that organisations should take in order to enhance the overall success of such initiatives and minimise the risk of failure.

1. The growth of change programmes

Transformational change is crucial to economic growth in the same way as continued innovation is critical to gaining competitive advantage and taking market share. However, for most businesses, it can be a real challenge to generate new ideas and turn them into reality with minimal disruption. And to add to the complexity, most new business initiatives and innovations are heavily reliant on technology as the enabler.

Today technology is so pervasive we can scarcely imagine life or function without it. By contrast to their importance, change programmes and in particular those that rely on technology to bring about the change, have an unfortunate reputation for failure. In fact, close scrutiny of such initiatives indicates that over 80% of programmes will fail in some shape or form be that they are either:

- Over budget;
- Over time;
- Or there is a reduction in the quality of the programme and/or, more importantly, the Return on Investment (RoI) delivered.

2. How often do projects and programmes fail?

Before we can even start to move forward, we need to understand better how we define failure and why this happens within so many organisations. Until we do, we risk repeating past mistakes and the opportunity to ensure that the business benefits of change are fully realised will be missed. More significantly, we will never understand what it takes to ensure that future investment in change is successful. Here are some compelling statistics:

- **Only 2.5% of companies successfully complete 100% of their projects**.

PricewaterhouseCoopers reviewed 10,640 projects from 200 companies in 30 countries across various industries and found that only 2.5% of the companies successfully completed 100% of their projects.

- **The average cost overrun of all projects is 27%**

A study published in the Harvard Business Review, which analysed 1,471 IT projects, found that all but one in six projects had a cost overrun of 200% on average and a schedule overrun of almost 70%. And we all have heard about large construction projects — the Channel Tunnel, Euro Disney, and Boston's "Big Dig" — that ended up costing almost double their original estimate.

- **The failure rate of projects with budgets over £1M is 50% higher than the failure rate of projects with budgets below £350,000**

3. *Why do projects fail?*

According to the National Audit Office the main reasons for programme failure are:

- Lack of a clear link between a programme and an organisation's key strategic priorities, including agreed success measures;
- Lack of senior management ownership and leadership;
- Lack of effective engagement with stakeholders;
- Lack of programme management and risk management skills;
- Too little attention to breaking down the development and implementation into manageable steps;
- Evaluation of proposals driven by initial price rather than long term value for money
- Lack of understanding of supplier contract;
- Lack of effective team integration between client and supplier teams.

To these we would add from experience:

- Failure to commit (and where necessary backfill) sufficient, appropriately experienced internal resources;
- Over-readiness to de-prioritise programmes when faced with operational conflicts.

Any one of these alone is enough to knock a programme off course, however, in many cases of business change failure it is likely that more than one of these factors is present.

4. *Experience does count and size is important…*

If you were to evaluate the above in detail, the main conclusion to be drawn is that failure can, in most cases, be put down to a lack of experience and leadership in those who are accountable for the programme. More fundamentally, this usually translates into a failure to:

- Understand the full overall scope of the business change required;
- Acknowledge the true cost of undertaking change and commit a realistic level of funding;
- Agree and communicate clear roles and responsibilities for all the key stakeholders;
- Ensure that solid and structured foundations are in place at the outset of the programme and that these are maintained and built upon by people who know what they are doing.

Size and complexity are other reasons why programmes fail. Although the two aren't necessarily linked, typically they are and they can be measured in a number of ways:

- Scope of the change programme in terms of its geographic and cultural reach and range – global programmes bring their own, unique blend of complexity;
- How integral the programme is to the business and the significance of the change in terms of working practices and organisational structure;
- The number of people and organisations involved (stakeholders) – people factors arguably introduce the most complexity to any programme of work;
- Nature and maturity of any underlying technology required to enable the change or specific instances related to technology, e.g. data migration complexities.

All bring their own risks and challenges, but since IT is now so integral to the day-to-day operation of most businesses, technology enabled change programmes tend to have a much greater impact when things go wrong and failure is all the more visible and expensive. So the degree to which the challenges and risks outlines above are identified and managed will determine how successful the programme will be.

5. The challenge of control

The rapid growth of outsourcing in the last 20 years has resulted in choice for organisations as to who will deliver a company's change programme – the company itself or external service providers. Because many technology programmes are outsourced, the control of these has become more complex. When we talk about who controls the project, the customer has a number of options.

If we look at the outsourced model as an example, in most cases the supplier provides the programme manager. It is often the case that the customer assumes that this programme manager is overseeing the delivery of the whole programme. While this may be true in principle, we must remember that the supplier's project manager will always have a different set of priorities to the customer. By definition, they will always be looking after the suppliers' interests first.

This is a risk that some customers are prepared to take, however, customers should always consider having someone to look after their own interests and act as the point of control for the programme. In this instance, the customer usually has a number of choices:

- An internal appointment from either the IT department or a business department. (Whilst most companies have people within their organisation that act as project managers it is worth noting that in all but the largest organisations it is unlikely that there will be many people that have undertaken programmes of this scale and complexity before).
- The customer recognises that they don't have an in-house resource so they look externally to the freelance market to bring in a contract programme manager. This market has become very commoditised in the past 10 years making it difficult to ensure that you can find candidates of the quality and experience required. And in such a market a customer often has limited options for remedy if the quality of resource is found to be lacking.
- The customer appoints one of the bigger consultancy houses to provide programme/change management expertise. In this instance they are paying for reputation and what they perceive to be a quality team. (These organisations undoubtedly have good people but are often heavily reliant on a model that means that more junior consultants are put on programmes meaning that, whilst you are getting people with the skills, they may not have the experience to bring to bear in these high risk environments).

In all of the above scenarios there are obvious cost-benefit implications and this doesn't necessarily guarantee that risks will be appropriately managed or reduce the likelihood of programme failure.

This is where smaller independent consultancies, like DAV, can provide the skills and, more crucially, the experience at prices that are very competitive with the large consulting houses. This option provides a well-balanced solution, adding independent leadership expertise to your in-house team, with the added advantage of a 'service wraparound' that can deliver extra value and support where required – at a very competitive price.

6. Customers travel hopefully and don't manage risk

In the main most customers don't plan to have a programme failure and therefore travel very hopefully, even though the statistics show that 80% of the programmes will fail in some shape or form.

The difference here is that the supplier <u>will</u> build in protections against programme failure, because through their wider experience they are much more aware of the consequences such failure and the cost implications to their own business. The supplier will therefore build this into the programme contractual agreement, as well as the financial planning, to ensure that for any programme overrun there is a contingency in place. The role of the project manager from the supplier side is to protect the supplier. Contract drafting, negotiations and commercial contract management are therefore key and if customers don't have the expertise in house they should look to external specialists to make sure their own interests are protected from the outset.

This is not just about getting the overarching Terms and Conditions in place but more crucially the contract schedules that should specify clearly (amongst other things) what each party is responsible for, how and when the contracted work will be delivered and any processes for dealing with unplanned events. The supplier will be geared up for this and will swing the contractual balance in their favour without an experienced 'counter' on the customer's side of the table.

Effective Project and Programme Management is, in essence, all about managing risk. If all projects and programmes were simple and all went to plan then there would be no need for a project or programme manager.

7. How much does it cost to manage a programme?

The cost of programme management will vary depending on the complexity and size of any particular initiative, but in the main organisations should plan for this to be up to 15 – 20% of the overall cost of the programme. To put this in context, organisations must assess the potential impact on the business if the programme fails – it is often difficult to put a price on avoiding failure, but it's a unpleasant place to be when it happens.

So what can organisations do to stack the odds of success in their favour? Here are six golden rules that provide a solid foundation:

- Be realistic about timescales;
- Allocate the right subject matter experts from the business;
- Nail your requirements;
- Set a proper budget;
- Appoint people to manage the programme who know what they're doing;
- Maintain sponsor commitment.

In order to do the above, a third party partner who can provide an external, objective view and independent support will often enable you to 'think outside the box'. However, it is imperative that if you opt for an external solution you hire people who can quickly understand your business, the investment case for the project and be completely aligned with your objectives.

8. What we can learn from the construction industry?

The construction industry is a good analogy to look at in the case of project and programme management and provides an interesting comparison with business change programmes, particularly those that are heavily reliant on technology.

This industry highlights the importance of experience and illustrates really well the value in using people who 'have done it before'. For example, we have been building bridges for generations and can look at how they were built by our predecessors back in the 17th and 18th centuries and use this experience to build modern bridges today.

In construction there is a methodology, a way of doing things, defined tasks and roles, and a recognised process of bringing in named experts (architects, engineers, property surveyors, etc.) to undertake certain tasks within the construction project. They also hire external project and programme managers to lead the overall project or programme on their behalf – no company would try to build a new office building themselves, they would always hire external specialists.

This scenario is rarely replicated by default in the case of large scale business change programmes. More often than not businesses try and do this themselves and expect their internal staff to have the time and expertise in a range of very specialised areas – contract negotiation, risk management, change management, implementation planning, stakeholder management and communication – to name a few.

We believe that the approach traditionally undertaken by the construction industry, applied in the context of business and technology change programmes would provide greater surety of success and yield significant business benefits.

9. *Change to business is often underestimated*

As we stated earlier business change projects are inherently complex because they are integral to the business. They are by nature operationally compelling, impacting not only systems and processes but also significant numbers of people. It follows, therefore, that to be successful such programmes must drive change through an organisation and its people and the way they work must adapt accordingly.

A specific example springs to mind where DAV helped one of the UK's leading leisure airlines to transform its finance function. The airline had previously decided to implement a new financial solution, but the implementation was rushed through and the opportunity to drive change through the business, enabled by the new solution, was not realised. The people, processes, and in particular the paper flow remained very much unchanged. The finance team continued working in the same way, implementing more spreadsheets and workarounds to 'compensate' for the new system. Little in the way of benefits flowed through to the business.

Ultimately, the client had to endure a significant amount of re-work and a higher incremental cost to retrospectively implement and embed the people, process and technology changes required to realise the benefits required by the business and achieve a tangible RoI.

In these cases, technology itself is not usually the issue. Preparing the business to accept the change often is. This takes us back full circle to the customer's internal management and their experience of dealing with similar programmes. To create a sense of ownership, the change process is something that has to come from within a business, the supplier cannot do this for you. It's crucial to have internal champions for change, led experienced managers who can create the environment to succeed.

10. Realising the benefit

Organisations seem to have reached a level of maturity where most will demand a business case to be produced and signed off prior to the initiation of any project or programme, although from experience, it would appear that the level of rigour and quality of some business cases remains, sadly, suspect. As an absolute minimum, organisations must have clear and credible answers to three key questions:

- What are we doing and why?
- How are we going to do it?
- What benefits will be delivered to the business?

So far, so good. However, perhaps one area that is just as critical but often overlooked, or underdone, is that of benefits realisation.

It is often believed that is a programme delivers the capability that enables a business to change then the relevant organisation will have met its business objectives and the programme is complete. However, in reality the delivery of the capability is just a means to an end and not the end in itself. The “end” is the realisation of the business benefits that are enabled by the capability and only then can the business objectives be said to have been met. The programme must be able to identify those benefits and put in place a plan to measure their realisation, both during the lifetime of the programme and, crucially, after its completion, since many of the benefits may be longer term. Without an effective benefits realisation strategy it will be hard to hold stakeholders accountable for the delivery of benefits to the business or to accurately measure the return on investment.

11. Conclusion

We will leave you with a last thought, and that is to seek independent assurance in everything you do. When you take on a major change programme how do you know it will deliver what you need for your business? Logically, any supplier is going to convince you that you need a particular solution or service. We can guarantee that they will always sell you a very viable and coherent business case. We can assure you that they will always justify the case. But how do you in turn know that this is right for your business and will deliver the results you want?

It is all about being sensible. Seeking independent advice, getting someone to protect your interests from the customer side, managing the risk and providing you with confidence *and* contingency planning. Don’t forget 80% of projects will go wrong. Plan for this and get the right help before embarking on that major business programme … and you just might avoid contributing to those failure statistics.