

Getting Serious about Program Success

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This year over \$4 trillion will be spent on business capability implementation programs.

Over half will fail.

How will you ensure success?

The statistics on business transformation failure are overwhelming. Particularly where technology implementation is involved, and where the stakes may be highest, studies consistently report that over half (and up to almost three quarters) of all programs will fail to meet stakeholder expectations. For example, Michael Krigsman examined several analyst reports of the rates of failure for CRM implementation programs.¹ Although the statistics he gathered vary widely, and they represent very different criteria for determining implementation failure, there are some clear messages:

- One in four programs are abandoned outright with no value delivered.
- Over 50% (72% by one study) of implementations do not meet stakeholder expectations even if they do go live.

Krigsman acknowledges that interpretation across these studies is difficult and subjective at best.

Caveats aside, though, one conclusion seems inescapable: something is fundamentally broken when program leaders are unable to successfully execute on their business capability goals nearly three out of four times.²

This pattern is not unique to CRM programs:

- KPMG noted that “more than 50% of business intelligence projects fail to deliver the expected benefit”.³
- Gartner has indicated that while spending on master data management (MDM) is growing significantly, “66 percent of organizations that initiate an MDM program will struggle to demonstrate the business value of MDM.”⁴
- Researchers from Utrecht University and M&I/ Partners reported failure rates for ERP implementations as high as 90%.⁵

The Cost of Program Failure

Despite these implementation challenges, most

business transformation initiatives ultimately do go live. However, when they fail to meet expectations, they do so with increased cost and frustration.

Because a meaningful business case and value

measurement are often lacking,

it is rarely possible to evaluate

the true net cost of failure, but

timeline and staffing extensions

have an obvious impact.

Additionally, the opportunity

cost of lost or deferred benefits

can be even more significant and

is often overlooked. When

remediation projects are

required, they may involve more

effort than the original

implementations did, and bolt-

on enhancements can be difficult

to support. Most importantly, if

the shortcomings in

transformation leadership are

not addressed, enhancement

efforts are just as likely to

compound the problem.

In the long run, the impact of

missed expectations on

leadership capital may be even

more damaging than schedule

and budget overruns. When

stakeholders don't feel that the

organization can deliver, they

are drawn to shadow

development teams and external

point solutions that often run

counter to strategic enterprise direction. This can

significantly increase the complexity of the

technology and vendor landscape, and require

additional support effort. The pattern of mistrust

and circumvention that follows can make

governance impossible, and it decreases the

effectiveness of capability leaders so that poor

decisions become more likely in the future. The

consistent trend toward failure is

a clear message that program

leaders need to get serious about

how they ensure the success of

their efforts. The stakes can be

tremendously high—easily into

the millions for a mid-sized

program and much higher for a

large enterprise transformation.

Non-Technical Factors Are Key

Although each program is unique,

there are some fundamental

challenges that are common to

many transformation efforts.

These challenges are often the

result of leadership and

management issues rather than

technical skill deficits. The

Utrecht study referenced above

assessed the importance of a

number of contributors to

success and failure in

implementation projects. (See

sidebar.) One of the insights

from the study is that the most

influential factors were centered

on aligning executive and user

stakeholders around objectives,

support, and adoption. Only one of the top ten

critical success factors – project team competence –

and none of the top failure factors were related to

technical implementation skills.

This research suggests where leaders should focus

Top 10 Critical Success Factors

1. Top management support
2. Clear goals and objectives
3. Project management
4. Change management
5. Project team competence
6. Management of expectations
7. User training on software
8. Interdepartmental cooperation
9. Interdepartmental communication
10. Dedicated resources

Top 10 Critical Failure Factors

1. Lack of top management involvement and support
2. Ambiguous business needs and unclear vision
3. Lack of user involvement and inputs from the onset
4. Weak definition of requirements and scope
5. Poor internal communication
6. Poor project planning
7. Insufficient authority from the project manager
8. Absence of an influential champion and change agent
9. Changes in design specification late in the project
10. Reactive and not pro-active in dealing with problems

(Catersels et al. 2010)

as they seek to beat the odds. Certainly, selecting skilled team members is critical, whether they are in-house staff or 3rd party implementation partners. However, it is at least as important to ensure that non-technical factors are addressed seriously. For example, the goals of the initiative should be clear (preferably expressed in terms of tangible business value), realistic, and accepted by the implementation team, senior stakeholders and interdepartmental leaders. The same leaders should be in agreement on the priority of these goals and how they will be achieved. As the project is executed tactical project management excellence is imperative to ensure that

- plans are feasible and account for the latest developments,
- business requirements are clearly defined and traceable to what is actually developed, tested and deployed, and
- signs of failure are recognized and addressed before they become debilitating.

Non-technical success factors such as these are usually the most difficult aspects of program execution. This is why many program leaders struggle, and it is a primary reason the implementation of business capabilities so often falls short.

Getting Serious

Every executive who has lived through even a moderately complex implementation program is familiar with these challenges to success, and many, if not most, of them have scars to show for it. However, despite overwhelming evidence and past defeats, organizations and executives regularly move their programs toward failure. Though there will almost always be some attempts made to manage risks, these will only be token efforts

without action to effectively deal with such fundamental challenges as program management or business analysis skill deficits, lack of executive capacity or attention, and alignment with other organizations that have conflicting priorities.

In most other areas of the business, the pattern of repeated failure caused by identifiable but unmitigated risks would never be allowed to continue. Leaders who did not take serious steps to improve the performance of their organizations would be considered negligent.

There is no secret formula for success, nor is there a “silver bullet” that if only applied would solve all key program challenges. However, although resolution of critical issues may be very difficult, the initial steps are straight forward. They don’t require proprietary methodologies or tools, and they amount to identifying key risks, creating mitigation plans and following through on the execution. Though an external facilitator may help, engaging a consultant is by no means mandatory. In fact it may be beneficial for the process to be owned and executed by in-house team members. Acting on these steps may require the best that a leader can bring to bear, but the ability should be well within the competencies of any high performing program executive.

The first step is to conduct an honest evaluation of the potential points of failure and who needs to be engaged to address them. The most significant risks will likely have been factors in previous initiatives, and they may be well known by the team. Other challenges will involve standard aspects of program and project management such as resource availability, scope management, and creating realistic timelines. Often the weakest points will be around key dependencies that need to be met by organizations outside of the program. These

organizations may have conflicting interests and lines of accountability; engaging them may require challenging conversations about where the greatest value lies and the best way to achieve it.

Once the key risks are identified, the second step is

to engage the people who can provide input to solutions and drive implementation. Key stakeholders may include

- program sponsors
- program business and technology leadership
- project team members, including program managers, business analysts, architects, and leads of development, testing, deployment and human performance functions
- leaders of organizations outside the project, including other teams within the company as well as external partners who will be responsible for meeting key dependencies
- business and technical teams who will operate the capability
- opinion leaders among user communities

The approach to interacting with each of these groups may vary, and the actions required from each may be different, so creating a plan for stakeholder engagement is critical. Creating this plan does not need to be a project in itself. The plan should, however, be sufficiently detailed to identify how to facilitate interaction that is meaningful enough to create and execute action plans that have a real chance at addressing the program risks.

Third, work with the stakeholders identified in the previous step to create realistic plans for addressing the most important issues. These plans should be honest about the obstacles faced by the program

and what it will take to overcome them. For example, a common dependency is data from systems owned by different departments. Those departments may have definitions for key information that conflict with program

requirements, and they may not be flexible in how they provide that information. In these cases, the discussions need to evaluate the likelihood of successful negotiations and what it will really take to get sponsorship that is influential enough to drive alignment.

How to Get Serious

1. Identify likely points of failure
2. Engage key stakeholders
3. Create meaningful plans of action
4. Execute action plans and monitor results
5. Regularly reassess risks and update plans

One outcome of this exercise may be that some challenges cannot be realistically mitigated to an acceptable level of risk. If the program as it is currently defined is not feasible, it is better to accept that at the outset than to pursue unreachable goals. One key lesson of the study of program failure is that if a program cannot succeed, early termination is much better than prolonging the cost. Program leaders can then focus on either creating a better foundation for success or identifying more achievable ways to deliver business value.

The fourth step is to execute these plans. Execution may be the most difficult part of the process: getting disparate stakeholders to align on priorities and agree to a course of action can be challenging enough, but issues of following through on that course may be in a class of their own. There are three factors that can be crucial for successfully carrying out action plans:

1. A realistic business case should be created to clearly define compelling value for the program, ideally in financial terms. If the business case is believable and accepted, it provides the basis for engagement, alignment and accountability.

2. Senior sponsors should be actively involved in ensuring the success of the program. Sponsors who are truly engaged do more than show up at steering committee meetings. They are active champions of the program, contributing to resolution of issues and investing their leadership capital in securing the cooperation of key parties.
3. Project management excellence is key to ensuring that action plans are followed through to completion. As they monitor progress, it is imperative that obstacles are communicated and escalated without dilution. If program leaders can't get serious here, there is little chance that other critical needs will be addressed meaningfully.

Finally, these steps should receive sustained focus throughout the program. The identification of risks is not a one-time exercise during the initiation phase. Program leaders should regularly reassess risks, update plans and ensure that appropriate actions are taken.

Again, these steps are straightforward, and there is no magic in the approach. At the same time, nothing will completely eliminate risks. The key for executives who are serious about success is to develop excellence in the fundamentals of program leadership, including honestly and meaningfully addressing the obstacles before them.

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Footnotes

1. Michael Kringsman, "CRM failure rates: 2001-2009," Beyond IT Failure, 3 August 2009, <http://www.zdnet.com/blog/projectfailures/crm-failure-rates-2001-2009/4967>.
2. The Standish Group, in their "Chaos Manifesto 2013: Think Big, Act Small," says that 2012 "represent[s] a high water mark for success rates...." Even so, they report that 61% of projects are still either canceled with no useful benefit or are implemented with less than expected value. They also note that this improvement "has come with an increase in project overhead, along with a reduction in value and innovation."
3. KPMG, "Does Your Business Intelligence Tell You the Whole Story," KPMG Advisory Report, 2009, https://www.kpmg.com/EU/en/Documents/does_business_intelligence_whole_story.pdf.
4. "Gartner Says Master Data Management Is Important in a Tough Economy, and Even More Important in a Growth Economy," Gartner Newsroom. December 9, 2010, <http://www.gartner.com/it/page.jsp?id=1488515>.
5. Ronald Catersels, Remko Helms, Ronald Batenburg, "Exploring the gap between the practical and theoretical world of ERP implementations: results of a global survey," Proceedings of IV IFIP International Conference on Research and Practical Issues of Enterprise Information systems, 25-27 August 2010, Rio Grande Do Norte, Brazil.

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