

# Managing Business Transformation Initiatives

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# Agenda

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- What is business transformation?
- How did we get here?
- Comparisons
- Complexities of business transformations
- Positioning for Success
- Summary
- Q & A

# "Everything than can be invented...

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- "Has been invented." -- Charles H. Duell, Commissioner, US Office of Patents, 1899
- "Computers in the future may weigh no more than 1.5 tons." -- Popular Mechanics, 1949
- "I think there is a world market for maybe five computers." -- Thomas Watson, Chairman of IBM, 1943
- "But what ...is it good for?" - Engineer at the Advanced Computing Systems of IBM, 1968, commenting on the microchip
- "640K ought to be enough for anybody." - Bill Gates, 1981

# What is Business Transformation?

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- Business Transformation - “combination of strategic, process, organizational change, and technology development focused around one clear vision, resulting in a significant change in the organization and substantial financial benefits.”

[Goonan, Brian, “Business Transformation: Doing it Right, Part I,” CIO Magazine, February 9, 2005.]

# How did we get here?

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## Friedman - "The World is Flat"

1. **Fall of the Berlin Wall** - The events of November 9, 1989, tilted the worldwide balance of power toward democracies and free markets.
2. **Netscape IPO** - The August 9, 1995, offering sparked massive investment in fiber-optic cables.
3. **Work flow software** - The rise of apps from PayPal to VPNs enabled faster, closer coordination among far-flung employees.
4. **Open-sourcing** - Self-organizing communities, (e.g., Linux), launched a collaborative revolution.
5. **Outsourcing** - Migrating business functions to India saved money *and* a third world economy.
6. **Offshoring** - Contract manufacturing elevated China to economic prominence.
7. **Supply-chaining** - Robust networks of suppliers, retailers, and customers increased business efficiency (Wal-Mart, Dell)
8. **Insourcing** - Logistics giants took control of customer supply chains, helping mom-and-pop shops go global. See UPS and FedEx.
9. **In-forming** - Power searching allowed everyone to use the Internet as a "personal supply chain of knowledge." (Google)
10. **Wireless** - Like "steroids," wireless technologies pumped up collaboration, making it mobile and personal.

# Comparisons

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## Traditional IT App Dev

- Executive Sponsor (Dir/VP)
- Project Manager
- Project structure
- One “client”
- Alignment within department
- Requirements elicitation
- Informal meetings
- Decisions made by few
- Priorization at the project level
- Less formal communications
- Org change impact is minimal
- May be strategic to the company
- Incremental change

## Business Transformation Initiative

- Executive Sponsor (CxO) + Steering Comm.
- PMO
- Matrix structure/project structure
- Multiple “clients”
- Alignment across the company
- Business process re-engineering
- Rhythm meetings
- Decisions made by consensus
- Priorization at the cross funct. Level
- Formal Communication Plan
- Formal Org Change Mgmt Plan
- May be “Bet the Company” initiative
- Disruptive change

# Why are Business Transformation Initiatives so Complex?

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- Cross functional, enterprise wide
- Requires high level of executive sponsorship
- Prioritization is difficult
- Business and IT (mis) alignment
- Unknown “to be” state (in some cases)
- Significant business process changes
- Decades of legacy systems and legacy mentality
- Resistance to change - especially when workforce reductions are anticipated
- Organizational change management not taken into consideration
- Difficult to comprehend the extent and magnitude of the changes that will occur

# Example: Implementing an EPM Solution

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- System of record for time tracking, resource management, and project management
- Job families/job descriptions/categorization
- Security- who can view project plans?
- Financial - handling different types of billing
- Compliance and legal
- Portfolio management
- Labor costs vs. bill rates - who can see what?
- PM Culture - "Do you mean that the Tech Lead will report to a PM?"
- Excel to MS Project Server
- Project numbering - intelligent numbering? What level? Interfacing with legacy systems
- Project roll up
- Time tracking - the "slacker tracker"
- Types of projects (e.g., development, maintenance, pre-sales, production support, product development, "science projects")
- Reporting (executive, directors, managers, PMs, Dev Managers)
- Training - integrating the tool within the methodology
- Steering committee
- Communications
- Templates (Project Plans, deliverables)

# Positioning for Success

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- Active executive sponsor who can represent all organizations involved
- Business and IT alignment around business drivers and strategy
- Defined metrics and aligned incentives
- Enterprise architecture
- Veteran leaders with experience in initiatives at the organizational level and best people assigned
- Understanding of the organization's "change readiness"
- Discipline and rigor
- Team structure and organization
- Communications

# Executive Sponsorship

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- Senior executive - usually CxO - who can make decisions for the organization
- Responsible for leading the initiative
  - Accountable
  - Provide the vision - compelling reason(s) for change
  - Motivate the teams
  - Remove roadblocks
  - Gain buy-in and overcome resistance
  - Execution
- Link sponsorship to executive pay

# Business and IT Alignment

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- IT should have an active role in business strategy planning
- IT-enabled business transformation initiatives cannot be driven by IT or business exclusively
- IT needs to understand business value to be delivered and prioritize execution around this
- Metrics need to be tied to business

- Project Success Metrics
  - Schedule
  - Budget
  - User adoption and satisfaction
- Business Success Metrics
  - Market share
  - New product penetration
  - Productivity improvements
  - ROI
  - Revenue/profitability increases
  - Expense reduction
- Align incentives and metrics

# Enterprise Architecture

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- Three architectures
  - Data
  - Applications
  - Technology
- Common requests by executives:
  - Access to data in a useful format when and where needed
  - Ability to adapt to changing business needs
  - Accurate and consistent data
  - Share data across the organization
  - Contain costs

Source: Steven H. Spewak, "Enterprise Architecture Planning," 1992

# Enterprise Architecture Planning vs. Traditional I.S. Planning

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## E A Planning

- Business driven
- Defines data before applications
- Data dependency drives the sequence for application implementation (data driven planning)
- Covers short-term operational and long-term strategic focus

## Traditional IS Planning

- Process or technology driven
- Defines applications before data
- Data dependency is usually not considered - "whose system should be implemented first?"
- Focuses on what is critical today

Source: Steven H. Spewak, "Enterprise Architecture Planning," 1992

# Right People on the Bus

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- Assign the best and brightest to the initiative
- Deploy “veterans” for leadership
- Will likely need to reprioritize the portfolio of projects and/or backfill
- Align incentives for the business transformation teams with project and business success metrics
- People cannot do his/her full time job and work on a transformation effort in their spare time

# Organizational Change Readiness

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- Consider conducting a change readiness assessment to better understand:
  - History of success/failure of other change initiatives
  - Structure
  - Organizational stress
  - Sponsorship
  - Resistance
  - Trust in the organization
  - Communication

# Processes - Rigor and Discipline

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- Priorization process
- Requirements management process
- Scope change management process
- Project planning and tracking processes
- Estimation process
- Risk/Issue management process
- Software Configuration Management Change process
- Software Development process
- Escalation process

# Team Structure and Organization

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- Clearly defined roles and responsibilities
- Accountability
- Project team structures
  - Requirements Management
  - Project Management
  - Engineering
  - Product Management
  - Software Configuration Management
  - Testing
  - SQA

# Communications

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- Formal Communications Plan
  - Mailing lists
  - Communication medium
  - Escalation path
- Regular executive updates with highlights, risks, issues, and items for executive attention
- Regular project team updates
- Communicate agreed-upon changes and decisions
- Collaboration tools

# Summary - Positioning for Success

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- Executive sponsorship
- Business and IT alignment
- Defined metrics and aligned incentives
- Enterprise architecture
- Veteran leaders
- “Change readiness”
- Discipline and rigor
- Team structure and organization
- Over communicate

# Questions/Comments

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