11 lessons for IT transformation success

CIO Advisory

Introduction

In the face of intensifying digital disruption and the need to remain competitive, organizations must embrace emerging technologies and innovate to drive growth through new business models, new and improved product offerings, and increased customer engagement – while at the same time reducing costs and gaining operational improvements. This requires companies to build new technology-enabled digital business capabilities.

Unable to develop and operate such capabilities cost-effectively given their current organizational culture and aging and overly complex systems, many enterprises are increasingly turning to information technology (IT) transformation as a means to free up discretionary spending capacity and make their IT organizations digitally ready.

Yet many of these initiatives provide lackluster results, and many are outright failures. Why? Although IT is increasingly essential to organizations' ability to perform and compete effectively, many companies are hampered by inflexible architectures, lagging and unnecessarily expensive legacy IT systems and outdated, sluggish processes. KPMG member firms' practitioners have identified a number of recurring themes that drive IT transformation success or underlie its failure. Following is a checklist of eleven do's and don'ts associated with IT transformation.

What is IT Transformation?
KPMG defines IT transformation as a comprehensive change to an IT organization that cuts across its processes, technologies, culture, and sourcing and delivery models to enable continuous step-change improvements in business capabilities supported by significantly stronger IT capabilities at lower unit costs.

Six things to get right

01

Build a compelling business case for action. Capturing executive interest and motivating them to act calls for a clearly articulated business case. This case must unambiguously link the transformation to business priorities. It needs to demonstrate a clear understanding of the starting point, describe the benefits of change and present the implications of continuing with business-as-usual. The goal must be to paint a "we will not achieve our strategic objectives on our current path, therefore we must…" picture supported by an agreed fact base to garner executive commitment and to communicate the urgency of change to the broader management team.

02

Demonstrate executive commitment. By its very nature, IT transformation is highly disruptive, altering roles, responsibilities, organizations, long-standing and "known" processes, and control of resources. It is often uncomfortable for personnel as they realize that what worked in the past may not work going forward, and many individuals in the IT organization may feel threatened by the extent and type of the change, as well as the potential loss of control they may experience. As a result, they may find ways to openly subvert and derail the program, or demonstrate passive/aggressive, "I'll say I'll do it, but I really won't," behavior. The leadership team – including the CEO, CFO, CIO and divisional executives – must be fully on board with and personally committed to the transformation program, providing clear direction, communicating expectations, quelling concerns, and maintaining a "stay the course" mentality, even in the face of distractions such as competitors' actions, or M&A activities.

03

Present a supportable change agenda. Failure to garner support and commitment from key stakeholders, and diversion of scarce resources and time to less critical priorities, can thwart even the best-envisioned IT transformation programs. A supportable change agenda demonstrates early successes, creates a sense of purpose and fosters esprit de corps within the organization, calibrating the pace of change to push it out of its comfort zone but remaining attainable.

04

Confidently manage participation. Given the human fear factor associated with the significant change an IT transformation program represents, the sponsoring executives and team members must recognize and allow for early discomfort. It's important they listen to and truly understand concerns, issues and perceived losses, acknowledge that prior decisions were based on legitimate and often good reasons, but make it clear that changes to market and business conditions have changed requirements. They must also balance transformational program and day-to-day priorities, inform and consult (rather than ask for permission), and openly reward desired behaviors.

05

Get the business and technology architecture alignments right. Most transformational efforts require development of a plan and roadmap that address people, processes and technology across both business areas and the IT organization. Yet in KPMG's experience, the differences in the mindsets and thought processes of these groups call for distinctly different emphases to ensure alignment. For the business, it is most effective to deliver a plan and roadmap written in business terms and focused on achieving business results. Details on IT operations and technology, and how they enable or support the business goals of the initiative, will resonate best with the IT organization.

06

Actively plan and manage partners and vendors. Given the complexity of transformations, many companies recognize they cannot go it alone and rely heavily upon leveraging the strengths of key partners and vendors to accomplish their goals and objectives. But as utilization of partners in a transformation initiative is in and of itself also highly complex, key success factors when using third parties include developing a proactive strategy and plan while aggressively managing and adjusting to issues and risks as they inevitably occur. Strong governance practices to mitigate risks will also need to be implemented.

Five mistakes to avoid

01 Inadequate focus on the challenges of change

This can lead to the previously mentioned passive/aggressive behavior, and unanticipated barriers to achieving success. Mitigating these issues requires early assessment of readiness and issues, active and honest communication addressing specific stakeholder group concerns and needs, early human resources (HR) involvement, and assurance to key "A-team" employees that their interests and needs are a priority.

02 Absent or unsophisticated governance

At its core, an organization's governance model defines how decisions are made and enforced, consistent with clearly defined policies and expectations. Lack of strong governance – which continues to be frequently given lip service yet often neglected in practice in many transformational programs – can result in failure to drive the right accountabilities and pace of execution. Transformational governance must clearly articulate ownership for transformational results, and decision making responsibilities to achieve and reinforce those results must be clear. Thus, what's called for here is early-on definition of an appropriate governance model and structure, involvement of executive leadership, and direct, active and ongoing participation of key stakeholders in what, by necessity, may be an entirely new and different governance model.

03 Inexperienced planning and execution teams

A major IT transformation is a once-in-a-career experience for most executives. Expecting people who have led successful careers delivering IT systems and services to also plan and execute a transformation is frequently a flawed approach. Too often, future designs end up looking quite similar to past designs, with some adaptations and updates. True transformation benefits from professional objectivity, and experience leveraged from previous lessons learned.

04 Insufficient resourcing

The time and cost to achieve a successful IT transformation is often underestimated, be it due to bravado, inexperience or ambitious third party provider claims. Where such underestimates lead to underfunded programs, people are often loath to raising the flag, and instead try to push their way through. Achieving success requires an honest assessment of the hard dollar costs and the people resources needed to execute the program, full consideration of the inherent challenges, and appropriate accommodations for contingencies.

05 Inadequate risk management or monitoring

This can quickly lead to potentially irreversible and costly errors, loss of key stakeholders' confidence and substantial business disruption. Actions to mitigate these issues include building risk management into the process, actively monitoring risks, and agreeing on appropriate fixes and accountabilities.

By placing close attention on these do's and don'ts, organizations will be well-positioned to pre-empt IT transformation's many pitfalls and instead reap its real rewards.

How KPMG can help

KPMG recognizes that today's CIOs face an increasing number of demands and complex tasks. We can help you become the strategic technology partner that your business requires. KPMG member firms offer an experienced viewpoint and independent advice, and our Management Consulting – Technology practice brings experience, lessons learned, tools and accelerators to help CIOs run the business of IT.

With extensive experience in IT transformations across industries and global complexities, KPMG professionals are uniquely positioned to understand your organization's needs. Our deep vertical industry knowledge (banking, insurance, manufacturing, ecommerce/retail, insurance, consumer products, pharma, healthcare as a limited set of examples) provides specific skillsets to address your unique market challenges. Marrying this industry knowledge with proven IT strategy and transformation experience, KPMG member firms can help give clients a strategic advantage.

Contibutors

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