CORE®

THE WAY BACK – REALIGNMENT FOR SUCCESS

How to get programmes back on the success track using turnaround management correctly

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White Paper

1 Introduction

70% of all transformations to date have failed

Projects and programmes for launching or renewing IT systems have existed ever since the development of information technology in the last century. Besides programmes in which scope, time and budget have been adhered to, it has presumably been known for equally as long that there are also programmes where milestones have not been met, project benefits are less than those originally projected, or the planned budgets have been exceeded – and often all three dimensions occur at the same time. Why have we therefore decided to look at this issue, and what do we hope to achieve by it?

The current situation is marked by the fact that we are experiencing a massive acceleration of change processes in our economic and social life. This change is driven by the fundamental changes witnessed in the areas of climate, health and – of particular significance to us – (information) technology. We also often hear or read the terms associated with it such as digitalisation or digital transformation in virtually all economic sectors known to us nowadays.

Project work is taking up an ever-increasing share in gross value added

This speedy change – digitalisation, transformation, disruption – not only takes place as an abstract notion in companies but is becoming reality in projects and programmes. It can even be measured in concrete terms. Project work as a percentage of gross value added rose globally from 29% to 40% between 2009 and 2019 (see figure 1). Accordingly, it is a mandatory requirement that projects and programmes are implemented in companies successfully.

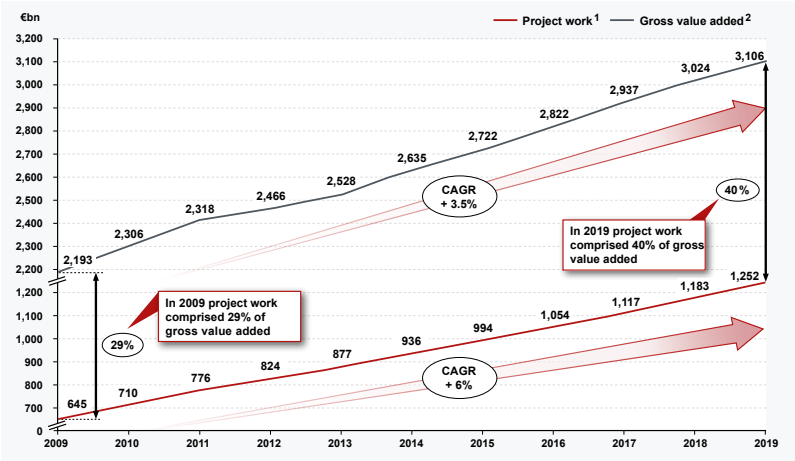
The “perceived” reality that IT projects are always completed too late, are too expensive and achieve lower than expected results is not merely a perception, it has also been confirmed in various studies. The adverse results are often measured “post mortem” or the symptoms of ailing projects are addressed, rather than the underlying reasons which led to these undesirable developments.

Consequently, the aim of this white paper is to examine more closely the causes of misalignments in technologically driven transformation projects or programmes, how these can be detected earlier so that measures can be introduced in good time, in order for adverse effects to be contained, meaning that the project does not fail as a whole. If the early warning indicators are not spotted and no preventative measures are taken, there is a risk that projects or programmes will accumulate deficits due to misalignments until an acute crisis situation occurs.

The term “crisis” stems from the Greek word ‘krísis’, meaning “decision”, “decisive turning point”[1] and thus also contains the aspect of change that can result from the decision to take a turn, provided that it is taken.

Companies with major projects or programmes that are either in a critical phase or have run into trouble need fundamental decisions to be taken in crisis situations as to how the planning is to continue. With a structured and targeted “rescue operation” (= turnaround management), lots of projects that have run into trouble can be realigned, so that the necessary changes can, indeed, ultimately be achieved for the company. We present a framework for diagnosing the underlying problems in programmes, which structures a review along seven dimensions, makes a diagnosis based on this, and, finally, proposes basic therapeutic approaches for ailing projects or programmes.

Trend in German gross value added and project working time (2009–2019)



Source: Statista | 1 Figures for project working time between 2010 and 2012, 2014 and 2018 were interpolated based on measurements taken for 2009 and 2013 as well as the forecast for 2019 | 2 Figures for gross value added between 2015 and 2019 were extrapolated into the future based on available data

Fig. 1: Increase in project working time as a percentage of gross value added between 2009 and 2019

[1] Brockhaus, 2020

2 Need for transformation

Even before the outbreak of the COVID-19 pandemic in 2020, companies from many industries were faced with structural change characterised by a market environment driven by IT. The disruptive potential of digitalisation has unfolded over recent years and the new business models, competitors and product families thereby created are emerging more transparently than ever before in a development that will continue to accelerate and reinforce the need for (IT) transformation.

In his "Long Wave Theory" the Soviet economist Nikolai Kondratiev showed the correlation between economic and technological development.[2] The exponential rise in computing power creates the opportunity to cope with resource-intensive computer processing in shorter spaces of time. Liberalisation, i.e. making computing power available through cloud computing, also reinforces the dynamism and influence of the IT-oriented market environment, and companies from all sectors need to react to this at short notice by means of transformation programmes.

Cloud computing is strengthening the dynamism of the IT-oriented market environment and is demanding swift reactions from companies

2.1 Drivers of change

The current situation is shaped by three major drivers of change in society and the economic market environment:

1. Technological change
2. Climate change
3. Changes in health

Technological change is in full swing and has also long been recognised by decision makers of both small and major companies. It is also reflected in strategy agendas and investment plans using buzzwords such as digitisation or Industry 4.0. In a study conducted by Germany's digital association Bitkom, 80% of participants in the survey have already invested in developing digital business models. Active investment was also made in 2020 in 86% of companies with 2,000 or more staff. In a survey of (senior) management from 120 companies in the DACH region, 59% of those interviewed claimed that the expansion of digitalisation is the most important requirement of IT.

59% of senior managers surveyed claim that the expansion of digitalisation is the most important requirement of IT

[2] Kondratiev, 1926

Even during the coronavirus crisis companies whose business model had already been digitised by a prior IT transformation came through the crisis better[3] and were able to achieve higher rankings on the stock exchange.[4] Many of the strategic challenges that companies face are thus linked in their respective uniqueness by the fact that areas of IT essential for companies play a key role in transformation. For example, a study of 129 financial services providers in Germany, conducted by Lünendonk und Hossenfelder in 2020 (figure 2), showed that pretty much all strategic challenges are significantly influenced by information technology. The Lünendonk study describes IT transformation as major or very major challenges, involving ever-increasing regulation, a lack of or unsuitable workforce skills for implementing digital transformation, the high speed of innovation cycles and strong pressure from competitors.

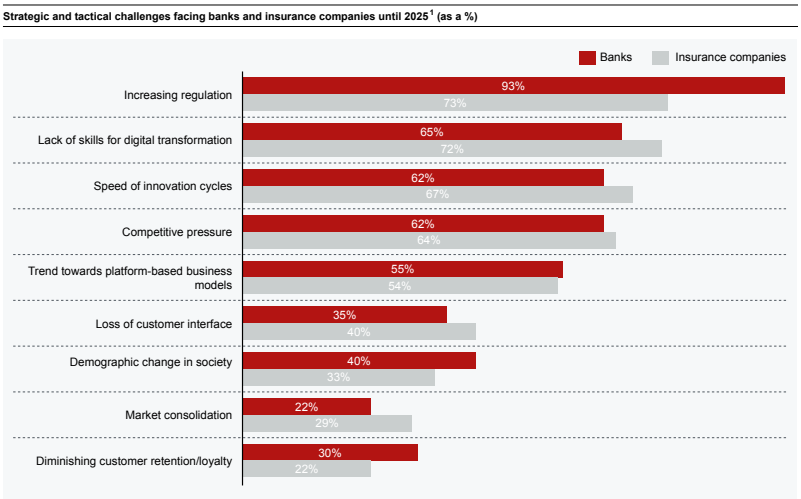


Fig. 2: Survey of banks and insurance companies depicting current challenges

Climate neutrality is forcing companies to make drastic changes

Climate change is one of the most pressing challenges for both society and politics today and in the years to come.[5] It is firmly embedded in many government agendas as well as in the strategic planning of a growing number of companies under terms such as sustainability, Green Deal or CO_2 neutrality.[6] Moreover, companies are being increasingly called on by stakeholders to make an active contribution towards curbing global warming and

[3] Bitkom, 2020a
[4] Kapalschinski, 2020
[5] Osztovics, 2020
[6] Ecoact, 2018

reducing greenhouse gases (figure 3).[7] The aim of the European Commission's Green Deal is to achieve climate neutrality by 2030 by establishing new laws and regulations in different industries[8].

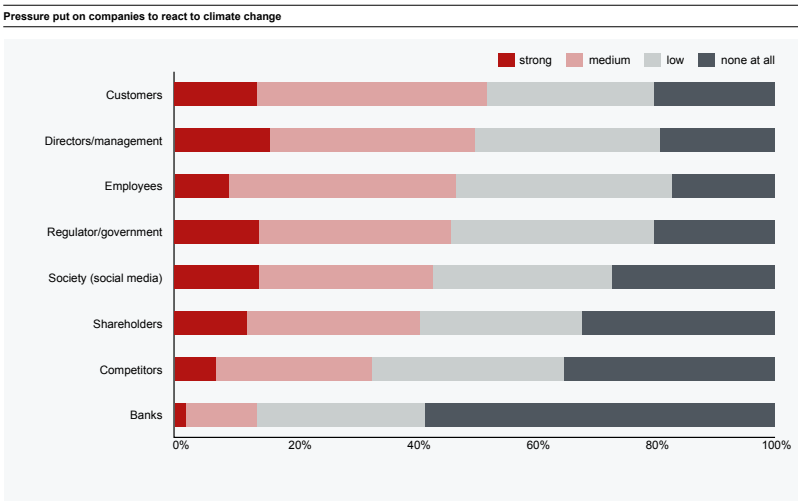


Fig. 3: Pressure put on companies for climate change

The finance sector is affected, too, and has reacted accordingly: in 2020, the Deutsche Bank set itself the goal of increasing ecological and socially compatible financing and investments to 200 billion euros by 2025 and 15% of total assets.[9] Low emission zones in major cities are forcing both car drivers as well as car manufacturers to make changes. Nevertheless, climate change also offers companies huge opportunities, as companies increase their energy efficiency, thereby reducing costs, using technological innovations to achieve required CO_2 goals, more climate-friendly products and services as well as reducing dependence on fossil fuel price fluctuations. Indeed, 215 of the world's 500 largest corporations have estimated business opportunities from climate change to be worth 2.1 trillion US dollars and risks to be just below one trillion US dollars.[10] Overall, business models need to undergo fundamental changes, and this highlights the need for extensive transformation.

Changes in the health sector (figure 4) is developing into one of the biggest drivers for changes to many companies and the society as a whole. Technological advances in R&D have enabled ever-more accurate preventative

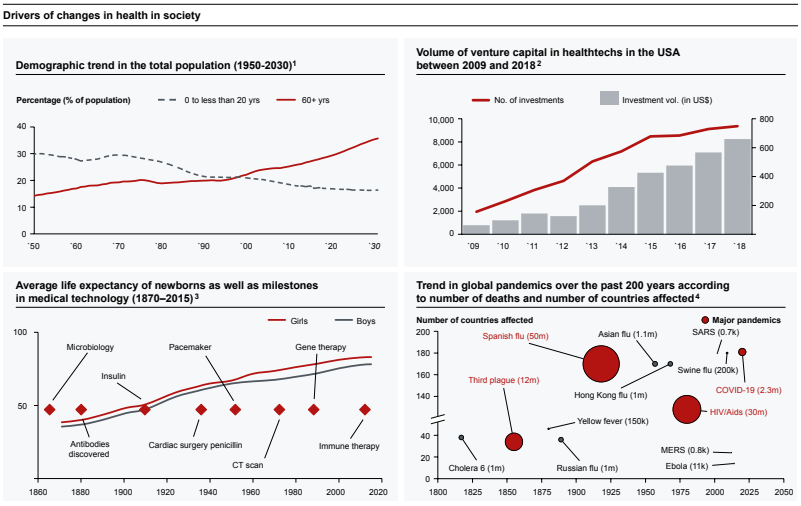
[7] Fischer, 2019

[8] European Commission, 2020a

[9] World News Monitor, 2020

[10] CDP, 2019

care, diagnoses and therapies for many illnesses[11] as well as the provision of innovative medical and healthcare solutions such as genetic engineering and microchip implants. Hence we have been experiencing, among other things, an annually increasing life expectancy for decades. Digital technologies can be used in conjunction with healthcare strategies by hospitals and healthcare companies to improve patient care coordination[12], whilst basic innovations in biotechnology, genetic engineering and nanotechnology give rise to the development of new products and processes.[13] This development is driven by increasing investment in the healthtech sector. On the other hand, the increasing significance is also driven by demographic change, i.e. the rising number of elderly citizens and people in need of care.[14] After all, it has not only been with the outbreak of COVID-19 that globalisation and the dismantling of borders have caused regional epidemics to develop into global pandemics at an increasing rate over the past 20 years.



Source: 1 RKI | 2 Pitchbook-NVCA Venture Monitor | 3 Pharma Fakten | Medizinischer Fortschritt – Steigende Lebenserwartung, 2018 | 4 Visual Capitalist, History of Pandemics, 2020

Fig. 4: Various drivers of change in the health sector

[11] The Future Council of the Bavarian Economy, 2018

[12] Stich inter alios, 2019

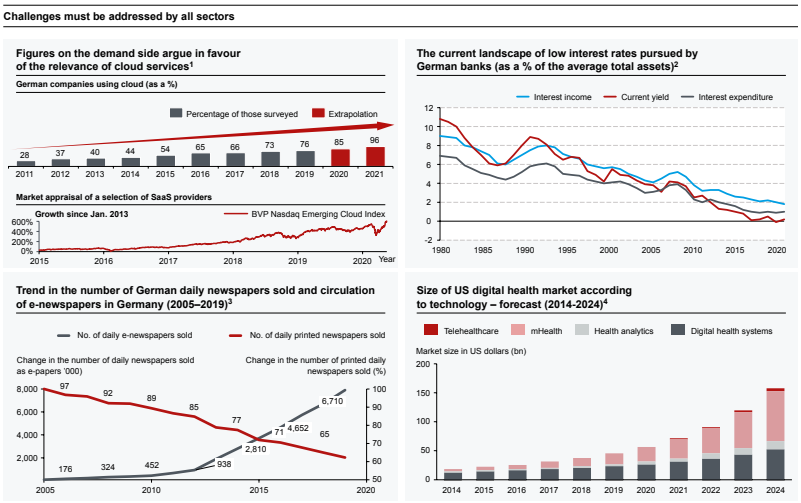
[13] Medica, 2020

[14] Nowossadeck, 2019

2.2 Challenges must be addressed by all sectors

Drivers of change affect all sectors and industries. The ensuing changes are so fundamental in the IT and software sectors[15], it reinforces the need for (IT) transformation across all industries. Even the rise in market consolidation[16,17], reorganisation of companies in terms of buyouts and mergers, or demergers as a result of carve-outs or spin-offs, increase the need for transformation in many sectors.

"Software is eating the world": Marc Andreessen, 2011 – a bold hypothesis back then, now a proven fact



Source: 1 Bitcom Cloud Monitor, Yahoo Finance, Quarterly reports from Amazon, Google and IBM, Statista and Gartner | 2 Deutsche Bundesbank 2020 – Die Ertragslage der deutschen Kreditinstitute im Jahr 2019 | 3 Statista | 4 Statista

Fig. 5: Challenges facing the software industry, banks, media sector and the healthcare market

a) **IT/software industry:** The application of modern software/information technology is a major driver for transforming the IT industry itself. Significant savings in IT can be achieved quickly by successfully adapting current IT and processes accordingly. This includes, for example, the increasingly apparent shift in the way software is provided, notably away from "perpetual licencing" (one-time licence fee) to "Software as a Service" (monthly/annual fee) – an example of this is Salesforce, which only offers subscription-based models in the cloud.[18] This change not only brings about user changes but also organisational restructuring towards a "retained organisation". Thus in-house IT infrastructure or classic infrastructure outsourcing contracts can be dispensed with and replaced by significantly larger economies of scale via "as-a-service" offerings.

Rapid changes in the software industry dictate changes in other industries

[15] Hecht, 2018

[16] Constantinovici, 2020

[17] Kanning, 2020

[18] Salesforce.com, 2021

Declining income from interest-rate transactions require core business to be developed further

b) **Banks:** Due to new competitors (such as N26, Revolut, Paypal, Klarna) and the consequences of falling interest rates, banks are having to develop their core business further (figure 5)[19]. In the past, up to 75% of turnover was dependent on interest surpluses. Annual surpluses have fallen by 15-30%.[20] Studies have also revealed that bank customers' loyalty is dwindling and there is a growing interest in digital services.[21] For standardised products such as current accounts, there is a growing willingness to switch banks, and banks are not only competing with each other for customers on the functional level – the best digital experience and complementary services also play a role. The customer interface has moved from the branch office via the internet to mobile end devices.

Media publishing houses only survive digitally if no help is given

c) **Media sector:** Media companies such as publishing houses need to face these challenges, too, as a new form of news distribution has evolved that does not depend on printed paper. It takes place on digital channels in real time and internationally. The dramatic effects can be seen in the circulation figures of German daily printed newspapers: in 1991 the figure stood at 27.3 million copies and by 2021 had sunk to 12.5 million, whereas the circulation of e-papers has risen almost twentyfold in the past 10 years, starting at 95,000 and now climbing to more than 1.6 million (figure 5). Furthermore, the major news portals of established daily newspapers have more visitors on their site than the total number of printed newspapers sold. The publishing houses such as e.g. New York Times have embraced the challenges of total disruption, and their product has evolved based on a transformed technological basis that they have successfully offered to their customers.[22]

The need for public authorities to transform has been recognised, but implementation is still in its infancy

d) **Public authorities:** Staff working for public authorities are now faced with a world of unprecedented disruptions. Rising expectations of efficiency have turned traditional paradigms upside down. Public expenditure in OECD countries is between 35% and 55% of GDP.[23] Accordingly, the digital transformation of public bodies was supposed to be the biggest transformation. However, integrating digital and data-driven solutions do not always fit in the existing cultural environment.[24] In 2017, the Online Access Act (OZG) came into force in Germany, which enshrines public administration processes in law using digital technology. Nevertheless, as of December 2020 more than 45.2% of services are still at the planning stage or in the throes of being implemented, meaning that only around 54.8% of services are currently available digitally. Here, "available" only means that an "online application" is basically feasible. Documents are still not able to be submitted online.[25] Consequently, not even a single service is fully operable online.[26]

[19] IT Finanzmagazin, 2018
[20] CORE Real Case
[21] Bitkom, 2020b
[22] Tracy, 2020
[23] OECD, 2018
[24] Löschner and Niemann, 2019
[25] Federal Ministry of the Interior, Building and Community, 2021
[26] Friedrichs, Hurst, and Spinrath, 2020

New technologies and climate change are creating the "perfect storm"

e) **Energy sector:** The energy sector has been faced with massive challenges ever since the Fukushima nuclear disaster. Issues such as the phasing out of nuclear power and coal, renewable energy, including wind power and solar energy, climate change, digitalisation, new technologies as well as smart cities are just a few examples to illustrate the dimension of structural change in this industry. To date, the market has been very slow in making the change and has held onto classic business models for far too long.[27] According to Frank Mastiaux, CEO of EnBW, an energy corporation based in Baden-Württemberg, Germany: "*Es gilt, von Anpassung auf Gestaltung umzuschalten*". This roughly translates as it is high time to switch from adapting to new energy resources to one of generating new sources of energy. Besides the large, classic energy producers, new competitors are now entering the market. The greatest potential for innovation lies primarily in the field of smart grids and the associated use of measured data ("big data").[28] If energy can be procured, stored and distributed more efficiently, massive potential savings can be achieved, and the efficient use of sustainable sources of energy can be encouraged.

An exponential increase in the technology base enables space to emerge for personalised medicine

f) **Healthcare market/biotech:** Technological advances and, last but not least, the increase in global pandemics such as COVID-19 have also resulted in a rapid development of the healthcare market.[29] This not only enables advanced diagnostics or therapy, e.g. CRISPR-CAS9, as a method for genome editing or for genetic data analysis[30] but also accelerated development, testing and approval processes for new bio-innovations as recently witnessed at BioNTech und Pfizer.[31] Healthcare companies that respond to challenges posed by the use of or application of advanced health technologies, the application of big data or the implementation of IT infrastructure and cyber security measures, gain confidence, have resilient processes and thus a greater potential to succeed. When combined with suitable IT infrastructure and biotech innovations, ultra-modern platforms can be established to achieve growth in turnover.[32]

[27] Brors and Flauger, 2018

[28] Schultz, Kroh, and Lütjen, 2017

[29] Decker, 2020

[30] Rodemann, 2020

[31] European Commission, 2020b

[32] CORE Real Case

2.3 Transformation programmes are needed to adapt to change

The ability to transform is the prerequisite, in order to be able to survive

This change in the economy and in society is continuing to accelerate in all areas as a result of the requirements outlined above, and only those who recognise the signs early on and face them have a chance to remain in the market and help shape the future. The ability and willingness to transform are prerequisites for all sectors of industry and companies to be able to survive. Fundamental change requires the courage to undergo extensive restructuring, in order not only to secure the company's existence but also to make it future-proof.

Transformations need to be seen as overarching programmes

This requires thinking beyond the renewal of individual topics by means of individual projects in particular departments or units, since the transformation requirements for companies which result from the drivers of change are fundamental and have an impact on the entire company. (IT) transformation projects and programmes are often a sensible approach to finding an adequate response to changes as well as the ensuing challenges in the markets. The importance and amount of project work are rising continually (figure 1, p 4). Accordingly, the need for people who specialise in project management is also growing worldwide. It is expected that employers will need around 87.7 million project management specialists by 2027, in order to be able to carry out projects in a professional manner.[33]

[33] PMI, 2017

3 Common programme misalignments

Transformation projects have an impact on all areas within the company and have to be carried out as programmes with a uniform strategy and management rather than in smaller projects. The complexity of (IT) transformation programmes in terms of scope and content is often derived from the scale of the project. It may last for several years, involve dozens or even hundreds of staff in conducting countless workshops and working through thousands of work packages, in order to achieve the necessary programme milestones, impacting millions of customers, contracts and accounts, which, in turn, often affect investments and savings worth several million to billions of euros.

Based on our experience from major IT transformation programmes, we have analysed the complexity of these programmes and prepared a list of challenges that often occur due to relevant misalignments.

Figure 6 below provides a brief check for determining possible misalignments in an IT transformation programme. If this is relevant, it may provide an initial indication that turnaround management is needed. Successful turnaround management may avoid a transformation programme being one of the 70% that fail.[34]

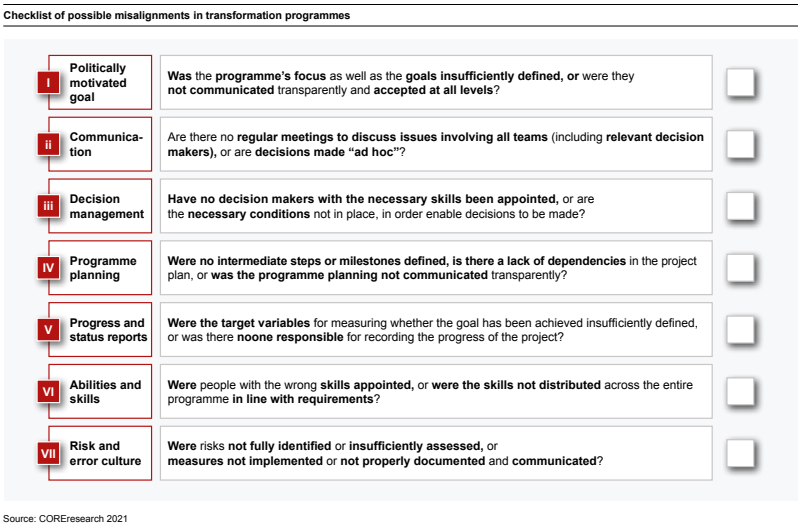


Fig. 6: Checklist to detect misalignments in the IT transformation programme

[34] McKinsey & Company, 2018

3.1 Politically motivated goal

Each programme starts with a political lie

Back in 2002, Flyvbjerg had already stated that, for example, inadequate cost estimates for major projects are not due to mistakes but rather as a result of "strategic misrepresentation of the facts such as lies"[35]. As far as major projects and programmes, in particular, are concerned, a self-deluding description of the goal, scope or length of a project, wittingly or unwittingly, is only a prerequisite in getting approval and being able to start the project.

This erroneous position for programmes can be identified using the following indicators:

- For political reasons, programme objectives are formulated too euphemistically to be implemented in the stated time or within the given budget.[36]
- Massive budget overspending becomes apparent during the course of the transformation programme (see figure 7).
- Huge deviations compared to what is detailed in the programme (in terms of the time frame), without entirely unforeseeable events bringing this about.

However, programme objectives do not necessarily need to have been glossed over, they may also have been fundamentally wrong. Even the best reasons in the world do not make a wrong objective right or an unnecessary project a necessary one. If key aspects of the plan such as risks and imponderables are not taken into account in the early planning stage in line with the EGAP principle, i.e. “everything goes according to plan”, the programme can be thrown off course.

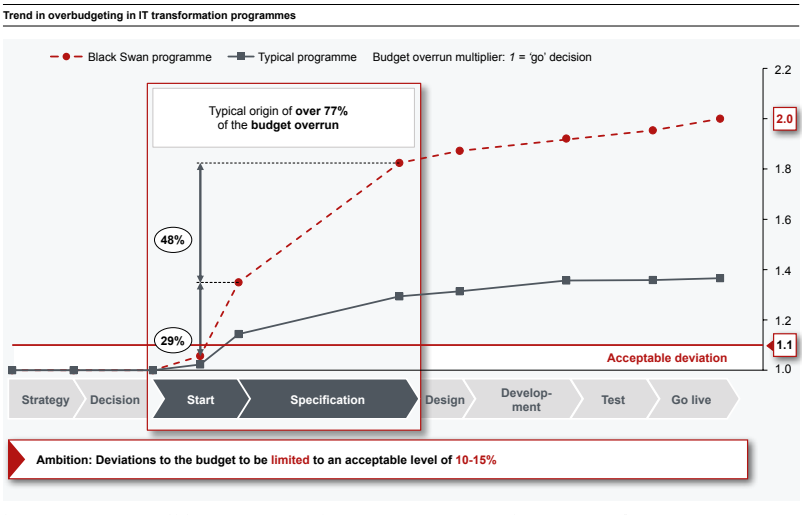


Fig. 7: Overbudgeting of IT transformation programmes over time[37]

[35] Flyvbjerg, Holm, and Buhl, 2002

[36] Flyvbjerg, 2007

[37] Budzier and Flyvbjerg, 2011

Programme decisions justified from a purely strategic perspective, lead to “survival of the unfittest”

The reverse of Darwin’s law, i.e. “the survival of the unfittest”[38] describes the cause of purely politically motivated programme objectives that are neither based on seemingly unrelated individual cases nor on individual mistakes. The reason that these are not isolated cases but rather “strategic distortion” is that apparently more expensive IT transformations in both the private and public sector are less likely to receive funding approval than projects which, when viewed objectively, are completely unrealistic but look good on paper. If the ground excavations have already started, there is usually no turning back, meaning that fraud or self-deception continues and results in a cost explosion (see figure 7).

Embellished goals and “political lies” are deemed to be risks and thwart programme success

If the “lie” is not detected early enough and corresponding countermeasures are not initiated, a programme is in danger of failing as time goes by due to permanent rescoping or descoping, budget change requests for readjustment of the projected costs, as well as shifts in the programme plan.[39] As a result of the fact, in particular, that goals are embellished or are wrong, politically motivated projects often contain greater risks than those that are planned purely on needs and correctly calculated costs.

Politically motivated goals have helped the trend over recent years that only 29% of major IT projects have been unreservedly successful and 19% a total failure.[40] Projects that are “too big to fail”[41] do not contribute to the people involved having a greater sense of responsibility than in smaller projects. Well-known examples of failed programmes where the costs and time frames have far exceeded the original plan include the construction of the Berlin-Brandenburg (BER) airport and the German rail project Stuttgart 21.[42] An example of a disastrous major IT project is the failed “Digital Media Initiative” (DMI) project launched by the BBC, where open tendering procedures were not used at the beginning of the project, and the flow of information was actively hindered.[43] Another famous example from the IT sector is the failed launch of ERP software within the US Air Force. Factors that contributed to the disaster included management errors; they had not understood the complexity of the project before it started, had ignored the risks associated with implementing software for a project of this size and had underestimated the cultural change needed for the launch.[44]

[38] Flyvbjerg, 2009
[39] Flyvbjerg, 2007
[40] Ismail, 2018
[41] Lin, 2012
[42] Olk, 2019
[43] BBC, 2013
[44] United States Senate, 2014

3.2 Communication challenges in the programme

Communication in terms of coordination requirements becomes ever-more difficult as the programme increases in size. Hierarchical structures, which are either unsuitable or too complicated, make it more difficult to communicate efficiently and thus impair the ability to make decisions.

The complexity of communication increases exponentially with the size of the programme

A transformation programme requires everyone involved to be able to constantly exchange information with each other. Figure 8 illustrates how the number of communication relationships increases as a quadratic function as the number of those involved (people, teams, executives) grows. Consequently, the greater the number of people involved, the more unmanageable the entire situation becomes, whilst also tying up a lot of resources.

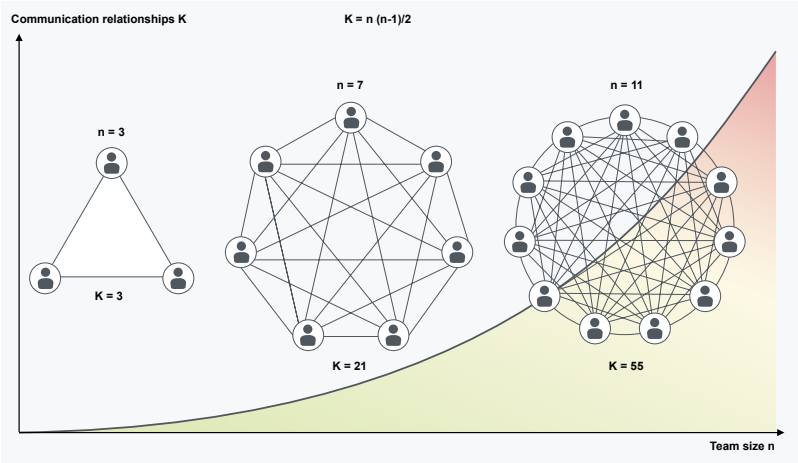


Fig. 8: Complexity of communication relationships

If programmes do not have essential information or clearly structured governance to hand, in order to be able to take efficient decisions based on facts, this can result in considerable delays in schedules or even programme imbalances.

Some symptoms indicate that the flow of information or communication structures are not being used efficiently:

- Communication takes place “outside of the committees” (via the office grapevine), i.e. not within the defined paths of communication.
- “Information hiding”, i.e. withholding information, either on purpose or unknowingly, for fear of any adverse effects on oneself.
- Decisions are made slowly or based on an incorrect or incomplete assessment of the situation and not based on facts.

- Breakdown in the flow of information, e.g. because the facts required are not available on time.
- The documentation of information, decisions, orders or agreements does not reflect the procedure that has actually taken place.

The causes for these symptoms, however, are often different:

- The organigram has not been adapted to the needs of the programme or the programme is not carried out in line with established governance. This is particularly evident when relevant persons with professional and IT expertise or sponsors are not sufficiently involved.
- The paths and means of communication as well as communication channels are governed inadequately. This becomes apparent when decisions are made in unofficial side agreements.
- If too many committees are involved, this leads to inappropriate amounts of time being spent on preparation and implementation of aspects without raising the quality of decision-making.

An inflated number of committees and decision-making structures as an indicator of misalignment

When communication becomes too complicated, it can result in inefficiency among those involved, lack of transparency in the flow of information or decisions being made based on incomplete information, thus resulting in problems. An analysis of these problems in order to tackle them in a targeted way as part of turnaround management is described in more detail in Chapter 4.1.2.

3.3 Inefficient decision management

Decision management with quick decisions being made by persons deemed responsible is vital for programmes. However, this is often not the case, which can have serious consequences for the success of the programme. If decisions are made too slowly, for example, urgently needed resources for critical issues may be approved too late, or not at all, and that can be counterproductive.

Slow decision management has an adverse effect on the success of a programme

Examples of inefficient decision management include:

- Decision-making agendas are prepared over and above what is actually necessary (approx. 1 committee cycle/1 week) before being submitted for a decision.
- Solution options are discussed more often than one or two committee cycles, without significant alterations or finding a solution to the aspect concerned.
- The proposed solution is presented without mentioning any alternative options, understanding how it came about or is too one-sided.

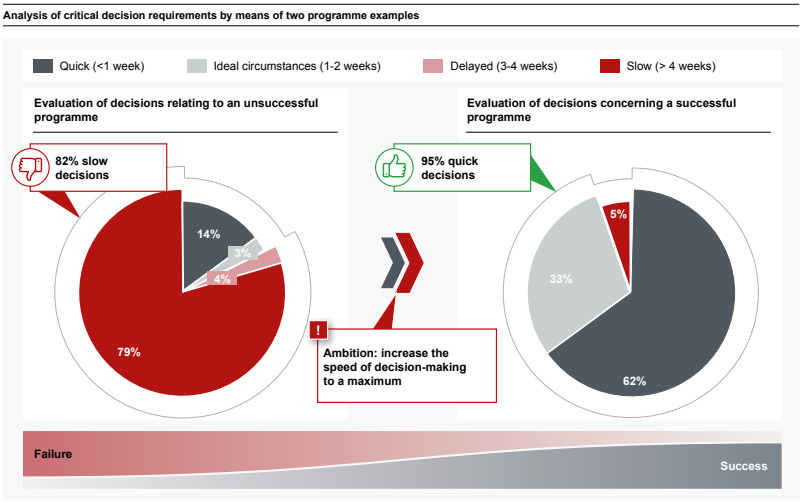


Fig. 9: Significance of speed of decision-making on the programme's success

Possible causes for inefficient decision management may be as follows:

Ideally, decisions need to be taken within 1-2 committee cycles

- The framework for preparing decisions is unclear or was not requested, or has not been implemented during the course of the programme, e.g. because there is a lack of experts with sufficient time or skills.
- Not all relevant decision makers were informed in advance, which is the reason why the decision is taken late and it is necessary to revise parts of the programme. This causes particular problems if those on the (steering) committee are given decision-making powers but do not have any formal technical or IT decision-making authority.
- Responsibility for making decisions has not been specified clearly or the person responsible does not make any decisions.
- The work of the decision-making committee is managed too passively, meaning that no agreement is ever reached in a reasonable length of time.
- A hierarchical structure that is too complex in its composition can lead to decisions having to be confirmed by too many committees, therefore decision-making is constantly delayed.

Figure 9 shows a comparison of an example project in which decisions on many crucial aspects were taken too slowly in contrast to an example where decisions are taken quickly. A decisive factor leading to the success of a programme is the speed with which decisions are made, in addition to other elements.

An isolated decision-making procedure which frequently deviates from the remaining programme structure often leads to the failure of an IT project.[45] With IT transformation programmes, in particular, this misalignment can often result in important changes in the company brought about by necessary decisions taking place too late or not at all. This may not only endanger the success of the programme but the business itself in the long term.

3.4 Unspecified programme planning

The aims of programme planning are transparency in scheduling, measurement of progress, definition of intermediate goals for those involved, derivation of the critical path and planning who and what are dependent on each other. In complex IT transformation programmes, in particular, it is imperative to take these aspects into consideration, in order to avoid issues.

Non-transparency in programme planning hampers effective project management

Inadequate programme planning is the cause when, for example, milestones covering several aspects are not achieved as a result of non-transparent dependencies between subprojects. This problem is evident when elements contributing to the result are delivered late, e.g. from project A to project B. These are required, in order to achieve the overarching milestones in the programme plan.

A further deficiency in the programme planning, which is often observed, occurs when the critical path containing the milestones is not mapped and actively managed. If it is impossible to react quickly to relevant, yet changing conditions and to adjust these on the critical path, the planning process or the programme plan themselves are too inflexible. The technical expertise required cannot be applied effectively. A lack of support from critical stakeholders, too, is an indication of inadequate programme planning and that there is no clear picture of what is going on.

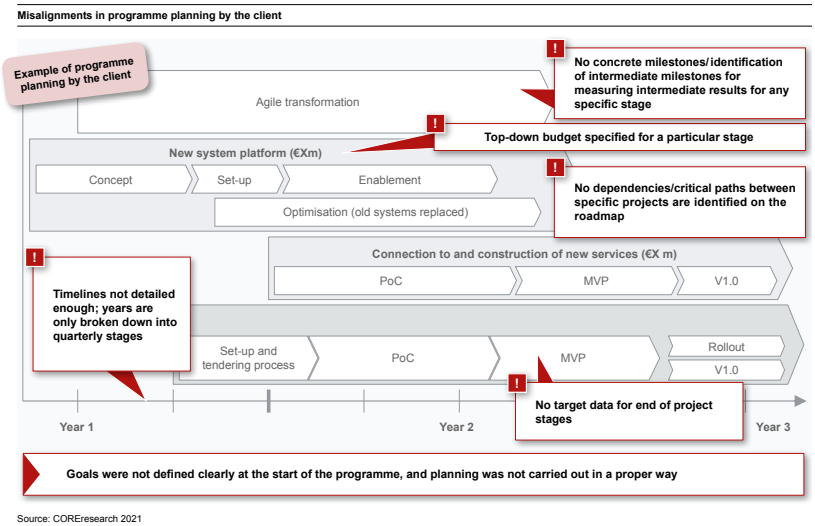


Fig. 10: Causes of misalignments in programme planning

[45] PMI, 2020

Frequently identified causes for the above symptoms and problems in planning (figure 10):

The most common cause for non-specific programme planning: the goal is not clearly defined, and deadlines as well as milestones are not communicated sufficiently

- Goals were not defined clearly at the start of the programme planning, and planning was not carried out in a proper way.
- No intermediary goals were defined, and time periods between the milestones were too long to be able to maintain motivation.
- Important milestones and deadlines were planned correctly but they were not presented or communicated sufficiently in the plan.
- The complexity of the programme is not adequately shown in the planning by the fact that important procedural aspects are not clearly evident from it.
- There is no actively administered dependency management.
- Conflicting project methods (“agile waterfall”) are used.

If some of the causes of inadequate programme planning, as mentioned above, are detected, it is vital that corrections are made by adapting the programme planning. Consequently, adverse effects can be averted early on as part of turnaround management.

3.5 Obscure progress and status reporting

Transparency is absolutely essential for managing and reporting the progress and status of a programme based on facts. Suitable tools for achieving this are adequately defined measurable variables as well as meaningful and consistent reporting data. This ensures that the actual progress of a programme is recorded transparently as a basis for decisions in the further course of the programme. Nevertheless, experience has shown that this is not the case in many programmes, meaning that there is frequently a misalignment in a programme that has encountered problems.

Sample KPIs – software, quality, migration (project example)

G KPI on schedule A KPI behind schedule with countermeasures R KPI behind schedule

Category		KPI	Target	Actual	Status
Software	Concept	Overall progress of concepts from integration reporting	**100%**	**95%**	G
	Development	Requirements implemented	**100%**	**96%**	G
Quality	System integration test to examine progress	No. of test cases of top priority	**100%** (8000)	**75%** (6000)	R
		No. of test cases of secondary priority	**80%** (17000)	**71%** (15000)	R
	Errors causing disruption to production	No. of major errors[1] still outstanding	**0**	**150**	R
Migration	Coordination	No. of points agreed upon	**100%** (10)	**90%** (9)	G
	Migration objects	No. of objects migrated	**100%** (20)	**75%** (15)	A

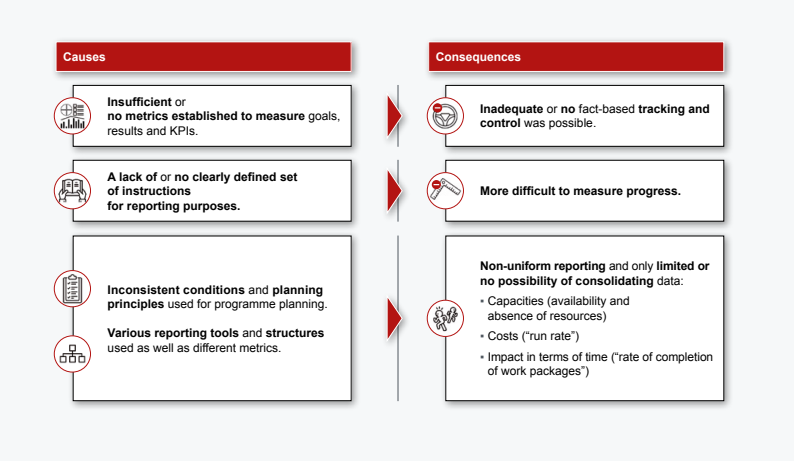
Source: COREresearch (2021) | 1 Degree of severity

Fig. 11: An example of KPIs for measuring the attainment of goals – software (quality), migration

As part of the programme set-up, overarching project goals are defined, which are shown in detail in the resulting programme plan. In the detailed plan, target variables are set, against which the success or failure of attaining the goal can be measured. The result is that there is not sufficient transparency concerning the current progress or status of the programme. In our experience, the problems listed below are causing the described lack of transparency in the progress and status reporting of a programme.

Fact-based reporting is often an uncomfortable but necessary truth

Causes and consequences leading to non-transparent reporting on the status and progress



Source: COREresearch 2021

Fig. 12: Causes and consequences from non-transparent status and progress reporting

Overall, this leads to a lack of transparency and the absence of an overall picture of the progress and status of a programme. A closer look is taken later (Chapter 4) at a diagnostic framework that shows how measurable variables are correctly defined as well as identifying measures for these misalignments.

3.6 Inadequate skills and capabilities

An inadequate or uneven distribution of methodological competence is yet another frequently observed reason for programmes encountering problems.

A targeted application of competencies in programme management is highly likely to lead to the programme being a success. According to current data from 2020, organisations where those involved have a high degree of experience in the skills required for the project are more successful than those with lower levels.[46]

Management skills based on expertise is necessary for programme success

Figure 13 gives a clear indication that an organisation's higher maturity level (level of capability) results in goals being attained earlier and that the project stays within its boundaries in terms of both time and budget. This means that these organisations have a higher number of staff that are

[46] PMI, 2020

qualified in specialist and programme management skills. Consequently, there is less likelihood of so-called “scope creep” as well as the risk of the programme not being a success. The gap between the available resources and the required skills is a deciding factor for the successful implementation of the programme, and may also be an indicator for determining if the programme is getting or has got into trouble.

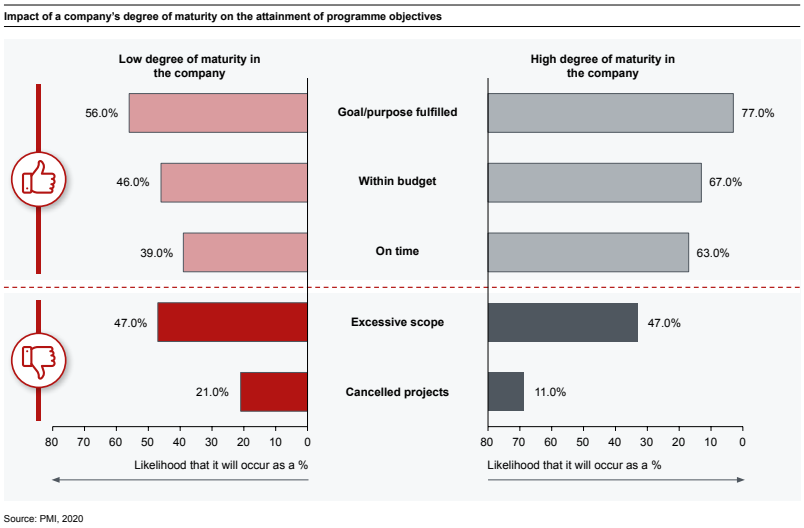


Fig. 13: Impact of the maturity level of skills

Major transformation programmes often require the deployment of resources with little or inappropriate project experience

As work processes in programmes are set up, managed and carried out differently from line processes, this creates a major challenge for both the programme team as well as management. Employees involved in a programme without the appropriate experience are quickly overwhelmed, thereby slowing down the programme’s progress. Even the agile methods, which are currently popular, may cause difficulties for staff who have not been trained in the routines, vocabulary and the commitment to self-organisation and self-motivation, as they differ significantly from the established and usual structures of day-to-day business.

In particular, the number of staff needed, especially with large-scale (IT) transformation programmes, leads to the use of resources without any previous project experience, whether it be due to a lack of resources or because the domain knowledge needed is only available in the specialist or IT departments of the line organisation.

Relevant literature also confirms that, in addition to numerous other elements, successful project management plays a key role in the success of a project. Moreover, the experience of those in charge of the project impacts directly on the success of projects, meaning that there is a clear correlation between staff training and project success.[47]

[47] Besteiro, Pinto, and Novaski, 2015

3.7 Risk management and error culture

If issues and risks that have arisen in individual projects or throughout the project programme are not adequately managed as part of risk management, this then leads to a lack of control and, consequently, to a further misalignment in the programme. Lots of eventualities and potential threats from both internal as well as external sources are not thought through at an early stage and given the attention needed. No prophylactic measures are introduced to lessen the probability of the risk occurring, on the one hand, and to develop precautions in advance, on the other, should it occur.

Reasons for an inadequate risk management as well as limited damage prevention within programmes:

- Risks and issues are neither recorded nor documented fully and properly.
- None or no proper tracking of the risks, issues and mitigation measures is carried out.
- The formal risk procedure is carried out correctly but key information and assessments are nonetheless either communicated inadequately across committees involved or not communicated at all.

Risks are fine if they are detected and measures are taken promptly to combat them

Problems and risks are of particular relevance considering that often the error culture is rarely constructive in nature. In a study carried out by BPM, 72% of failed projects did not practise a constructive error culture.[48] This is due to the perception of all involved that any correction to the programme is attributable to the inadequate performance of those in charge, rather than, for instance, the intrinsic complexity of the system and implicit uncertainty of IT transformations. This perception results in a shift from a factual level to one of a personal level. For example, failures are deemed as personal failings, and may have a direct impact on the career of those involved in the programme. Consequently, the pressure to succeed increases disproportionately and is passed on from the higher to the lower echelons of the hierarchy. This, in turn, creates an incentive to cover up mistakes and to ignore the pressure to adapt. Problems get bigger and can easily reach a critical level.

Where there is no constructive error culture, there are only problems – no risks

Having the status of a programme or project escalate from “green” to “red” in a very short space of time is, with hindsight, often a sign of the dysfunctionality of risk and issue management. Then there is often no working risk management cycle where risks are identified, subsequently assessed, and measures introduced to tackle the issue(s) as well as active control management (see figure 22, p 34).

[48] BPM Lab, 2015

3.8 Detecting misalignments and taking countermeasures have great potential for success

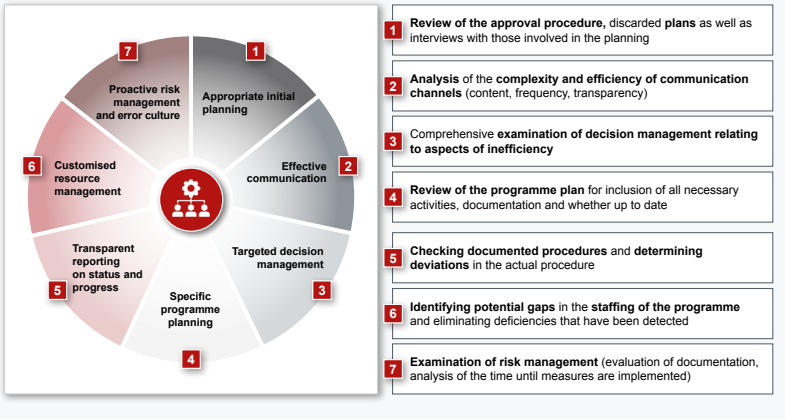
The previous chapters looked at seven frequently occurring misalignments and described the reasons which may often lead to the programme failing or encountering problems. It is not worth looking at specific misalignments on an individual level, as the complexity of troubled programmes is very rarely due to one dimension alone. The dependencies of misalignments on one another as well as the diversity of different programmes can only be accommodated if the dimensions are analysed as a whole.

The CORE diagnostic framework (see figure 14) offers a holistic approach for appraising programme misalignments and presents options for action that represent elements of efficient turnaround management.

4 CORE solution approaches from past projects

Before applying turnaround management to a programme that is encountering difficulties, it is vital to take a detailed look at the actual problems. The causes of misalignments can be manifold, especially with more complex projects. Consequently, it is essential that all relevant parameters are analysed systematically, in order to be sure of a successful turnaround.

Framework for diagnosing programme misalignments



Source: COREresearch 2021

Fig. 14: Framework for diagnosing programme misalignments

It is equally important to develop methods that solve both obvious as well as hidden causes. In both instances the reasons must be disclosed and described in a manner akin to a medical diagnosis. The misalignments described in the last chapter provide the basic structure for a diagnostic framework developed by CORE to ascertain birth defects and abnormal developments in IT transformation. As is the case with medical diagnoses, early detection is the best way, so that the turnaround can be carried out successfully. If a programme is already encountering difficulties, then treatment has already gone beyond prophylactic measures, and the cause of the pain needs to be alleviated – in the same way as a therapy – or in the worst case treated surgically.

Early recognition of the need for transformation programmes increases the likelihood that turnaround management will succeed

4.1 Appropriate initial planning

Politically motivated, embellished or faulty planning needs to be exposed

A good way to begin the diagnostic framework is to analyse the programme planning that was initially carried out (see figure 15). It is important, as part of the diagnosis, to ensure the disclosure of politically motivated, embellished, faulty planning and to assess critically the quality of planning:

- Compare initial planning with the current programme planning to discover first indications for the purpose of prioritisation in the forensic analysis.
- View planning documents that were discarded prior to obtaining approval. Concentrate on areas of the programme that are lagging behind.
- Review the approval procedure to check whether approved plans were based on specifications instead of realistic forecasts of time and expenditure derived from other sources.

A check is required to see if the planning has been sufficiently validated

- Review the planning as regards quality and scope by comparing it with best practice methods, taking into account the principles of proper programme planning. Determine whether the planning has been validated bottom-up or top-down and whether all the programme activities have been covered and documented in sufficient detail.
- Check whether adequate consideration has been given to budgeting, dependencies and skills, and whether work packages, cost and revenue data and procedures were taken into account in the planning.
- Interview those qualified persons in specific areas who were actively involved with the planning before the programme was approved, in order to identify potential draft plans with different key data concerning the scope, time frame and resource requirements.

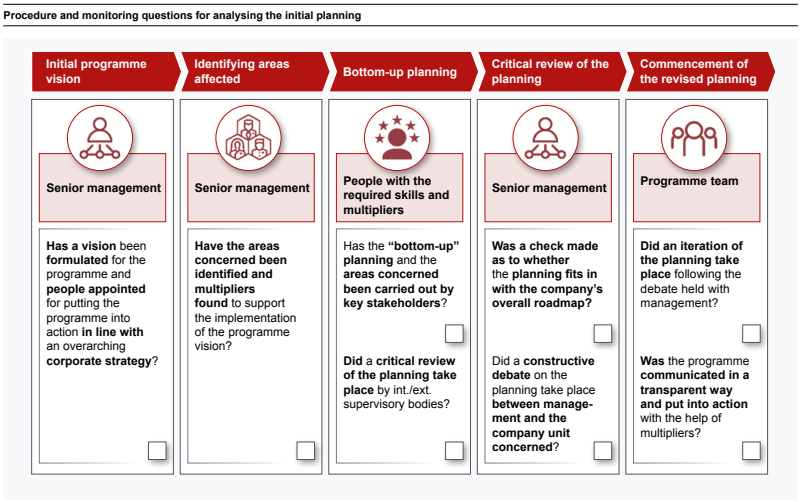


Fig. 15: Framework for analysis of the initial planning

Our experience has shown that projects planned realistically are neither more expensive nor more complicated over the long term than projects launched with a "political agenda". As far as the latter is concerned, last-minute replanning and rescuing is often more time-consuming and costly than if the programme had been planned based on more realistic assumptions from the very beginning.

Projects that have been planned realistically are neither more expensive nor more complex

4.2 Effective communication

Effective communication is characterised by a bidirectional flow of information within the programme. Bottom-up communication is decisive for reporting, and top-down is key for decisions and instructions (cf. figure 16).

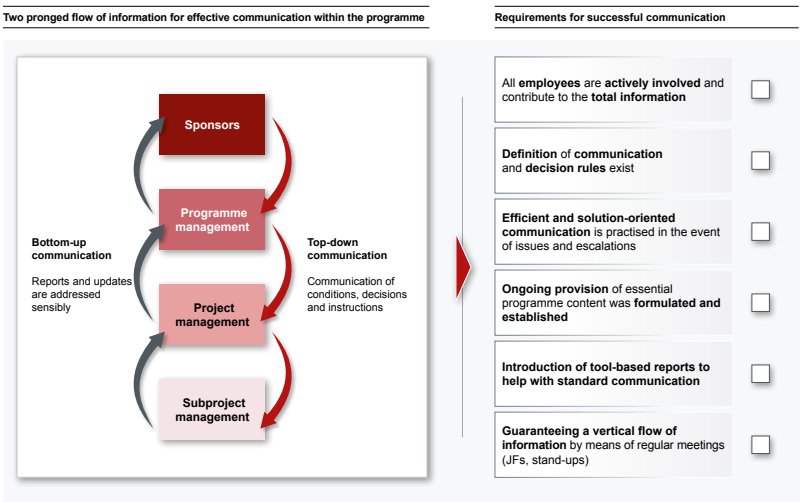


Fig. 16: Checklist for establishing effective communication

Identification of informal communication paths and the complexity of reporting lines

In the first instance, it is important to get a good overview of the complexity of these communication structures:

- Examination of whether the content and frequency of day-to-day communication as well as the logging of information, i.e. protocols (PMO), are adequate to document the information needs of the recipients.
- Check of whether the entirety of the reporting channels exceeds a set level of complexity (cf. Chapter 3.2) and which relevant issues are insufficiently prepared or transparent.
- Disclosure of possible informal paths of communication and check by means of interviews of whether decisions have been influenced by non-transparent and inadequate means of communication.

Further investigation into the quality of project communication:

- Assessment of meetings held with senior management to ascertain where there are overlaps between groups of people.
- Analysis of subjective information by interviewing employees to identify and localise possible dissonances. Figure 17 shows an example of how information asymmetries are distributed along the levels of hierarchy and major topics.

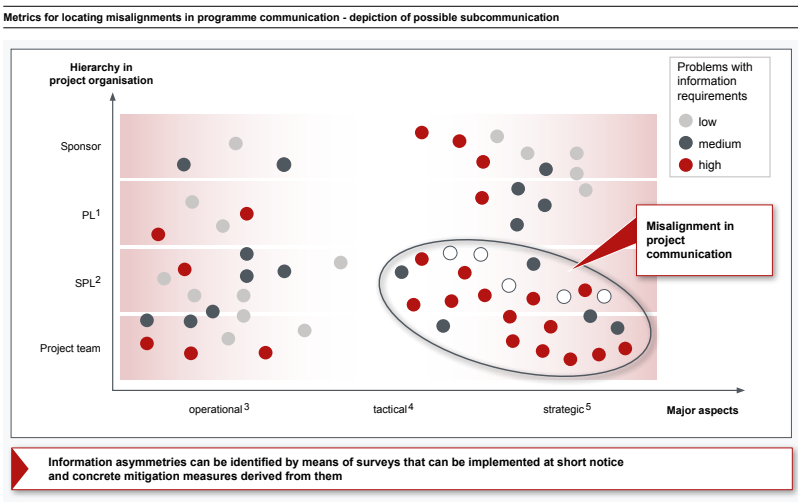


Fig. 17: Localisation of misalignments in programme communication

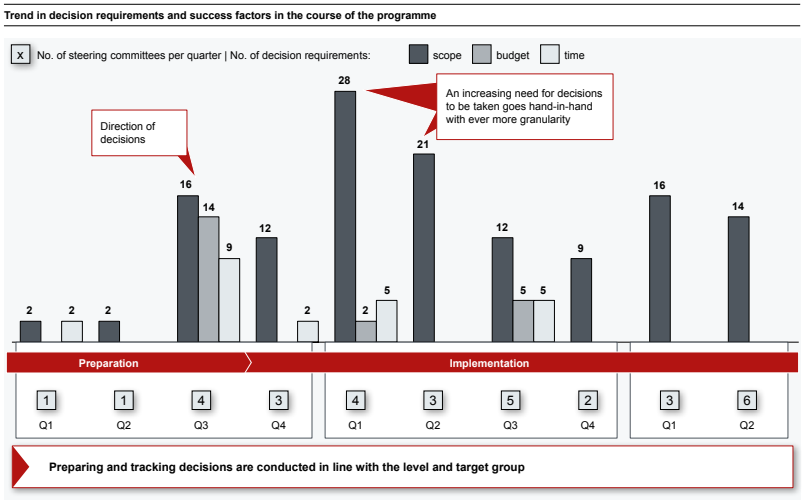
Following this approach, the diagnostic framework provides solutions for misalignments that have been identified in project communication.

4.3 Targeted decision management

Decision management needs to be analysed across hierarchies

Targeted decision management is crucial for the success of a programme. Consequently, the investigation of overarching decision management must result in addressing misalignments across all levels of hierarchy and programme committees, taking into account the following aspects:

- Check whether responsibilities are clearly assigned and that the quorum of committees for making decisions (including representation) is ensured.
- Examine whether the frequency and contents of the meeting as well as the quality and way in which information is prepared (e.g. in a standardised format, with serious evaluation of decision alternatives, etc.), provide the basis on which to be able to make a proper decision. It must be ensured that committee structures and cycles adjust to the changing needs of the project over the course of time (cf. figure 18).



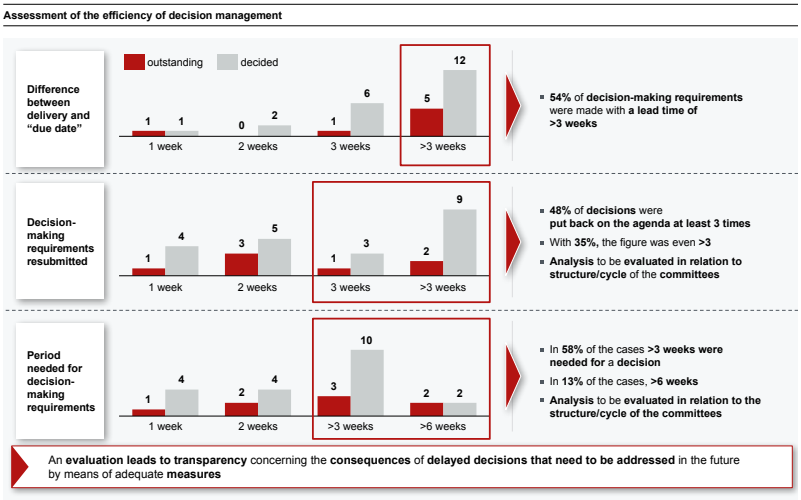
Source: COREresearch 2021

Fig. 18: Development of decision requirements and success factors over the course of the programme

Efficient decisions as a factor of success

Moreover, the efficiency of decisions is decisive. The efficiency can be analysed using the following method and corrected when misalignments are identified:

- Analysis of protocols and logs to measure the length of decision cycles, whether or not they have been delayed and the number of times they have been resubmitted.
- Review of the impact of delayed decisions, in order to make the ensuing problems transparent, with the aim of achieving shorter decision cycles in the future. Identification and assessment of possible impact on the critical path are also crucial in this process (cf. figure 19).
- Analysis of the number of decisions made at each committee meeting, weighted wherever necessary, in order to ascertain a monetary valuation as well as how critical it is to make a decision for the progression of the project.



Source: COREresearch 2021

Fig. 19: Depiction of the evaluation of the efficiency of decision management

Transparency gained in this way allows the identified misalignments that relate to decision management to be specifically addressed with appropriate measures as part of the turnaround process.

This type of investigation needs to take account of the rule that a decision should not take any longer than two meetings of the committee responsible for making the decision. During this period, the committee can request further information or more detail to ensure there is an informed basis for decision-making. Anything else shows potential for improvement in the preparation of decisions or in the decision-making power of the respective bodies.

4.4 Specific programme planning

Impact of misalignment based on quantitative metrics

The focus put on the examination of programme planning is to reveal the impact of misalignments based on qualitative metrics, thereby finding solutions to improve the planning. This requires the following parameters to be recorded:

- Checking individual milestones to determine any delays, then assessing the impact and dependencies on the programme plan.
- Analysing which milestones have been met and/or the frequency and duration of any delay, in order to, among other things, estimate the quality with which deadlines have been set and adhered to.
- Disclosing the impact on the critical path and, thereby, the inherent effect a delay has on the overall programme planning; this is illustrated in figure 20.

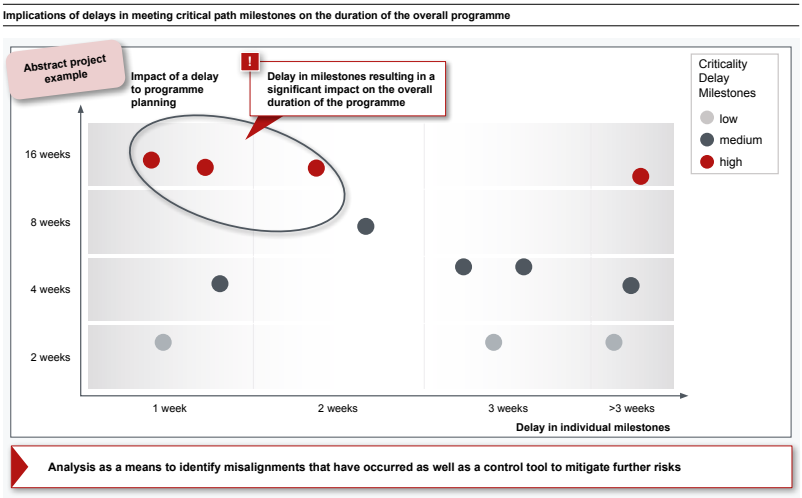


Fig. 20: Analysis of the effects of delaying milestones on the overall duration of the programme

The knowledge gained from the quantitative analysis enables programme planning to be done properly and according to professional standards within the framework of turnaround management.

4.5 Transparent progress and status reporting

Need to ensure communication is targeted correctly

Proper and transparent reporting is vital for the success of a programme because non-transparent reporting on the progress achieved may lead to incorrect decisions being made, and an accumulation of wrong decisions may even result in the failure of the programme. Consequently, special importance must be given to the management of programmes. When putting together information, care must be taken to align that information to the vertical structure of the programme, in order to ensure recipient-friendly communication (cf. figure 21).

Reviewing progress and status reporting includes the following aspects:

- Examining documented processes and identifying possible deviations in the actual process followed. Besides the scope and frequency of the process, the metrics applied for determining the project's progress must be analysed.
- Scope and quality of the reports are examined and compared with the information that is required by respective recipients.
- Use interviews to ask how status updates have been embellished, either wittingly or unwittingly, or have been prepared without knowing the true status of things.

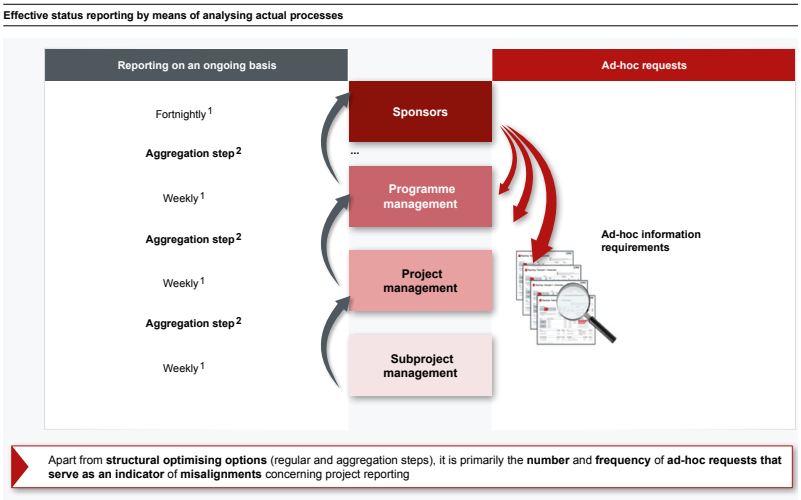


Fig. 21: Analysis of actual processes in status reporting

A review of programme reporting can also be extended to include a check of the reporting cycle or quantitative trend analyses:

- Examination of the cycle and number of given aggregation steps for programme reporting, along with the quantification and evaluation of ad-hoc requests made by senior management.
- Assessment of reports submitted over time to derive a trend and picture across incorporated levels of hierarchy (aggregation steps).
- Appraisal of actual progress made (compared to existing reporting) and the programme status based on the upstream analysis.

Screening and analysis of the scope and quality of reports

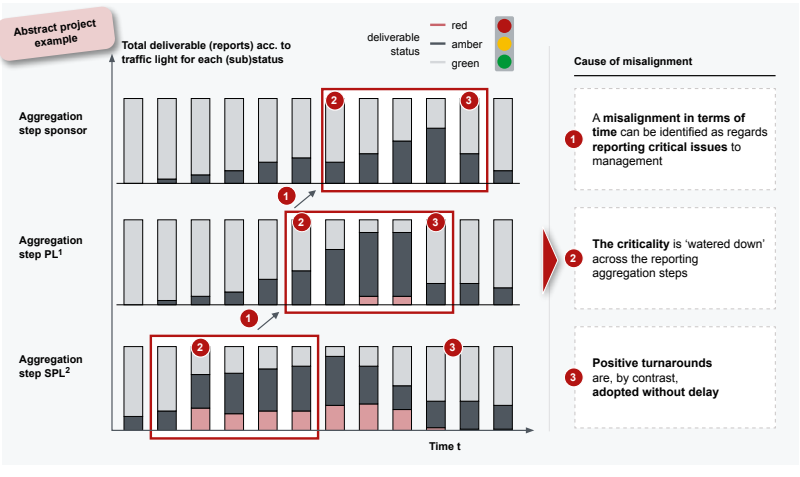


Fig. 22: Disclosure of inherent misalignments in status reporting by means of trend analysis

Indications of actual misalignments such as “playing down” or delayed disclosure of critical information are exhibited intuitively. It is also possible to locate misalignments in more detail, right down to subprojects.

Reporting is an important tool with which to measure the status and progress of a programme. Consequently, creating transparency in reporting is essential to ensure a successful turnaround.

4.6 Bespoke resource management

Resource bottlenecks must be made transparent and measures introduced to mitigate the problem(s)

Besides checking the right skills and abilities, resource management also includes highlighting bottlenecks in key resources as well as identifying peaks in demand regarding planning of resources. This is essential for ensuring the best possible staffing of employees in the programme.

Checking available resource management is carried out as follows:

- Initial check is conducted of the status quo based on the roles and positions defined in the programme and whether staff selected to be involved in the programme have the necessary qualifications.
- Possible gaps in staffing are revealed by coordinating with those responsible for (sub)projects as well as taking into account misalignments that have been identified.
- Target profiles are reviewed and compared to the qualification profiles of persons currently involved in the project, then evaluated, in order to verify hypotheses established through the comparison in interviews and to expand them to include “soft” factors that can only be revealed in personal interviews (cf. figure 23).
- Take all legal parameters into consideration when assessing the suitability of those selected for the project, taking into account the requirements of co-determination law with the involvement of the respective disciplinary superior.

Analyses can be extended to reveal the amount of overplanning and peaks in demand:

- Identification of “bottleneck” resources subject matter experts in the programme, taking into account all company-wide planning, including operations and additional services, which may require the involvement of these resources. This enables overplanning to be identified along the time axis.
- Utilisation for each programme resource is shown based on the work packages to be processed as well as the availability in resource planning, taking into account all framework conditions (holidays, sickness, delays in work packages, etc.) relevant to the programme’s duration. This creates transparency regarding peaks in demand during current planning.

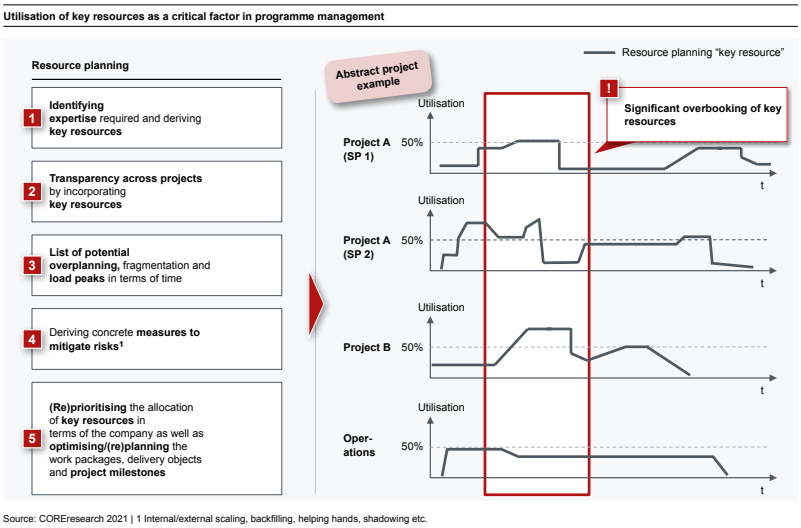


Fig. 23: Diagram depicting the utilisation of key resources

The procedure described allows misalignments in resource management to be addressed according to the situation in question. Specific and needs-based adjustments (e.g. as internal or external scaling, backfilling, helping hands or shadowing) can be set up and used as part of the package of measures to turn the programme around.

4.7 Proactive risk management and constructive error culture

Proactive risk management and an actively practised error culture are equally important

Proactive risk management as well as an active error culture are given core significance when it comes to carrying out programmes, and are also considered within the CORE diagnostic framework. As far as these aspects are concerned, the diagnostic framework provides both qualitative and quantitative approaches for addressing and assessing misalignments in risk management.

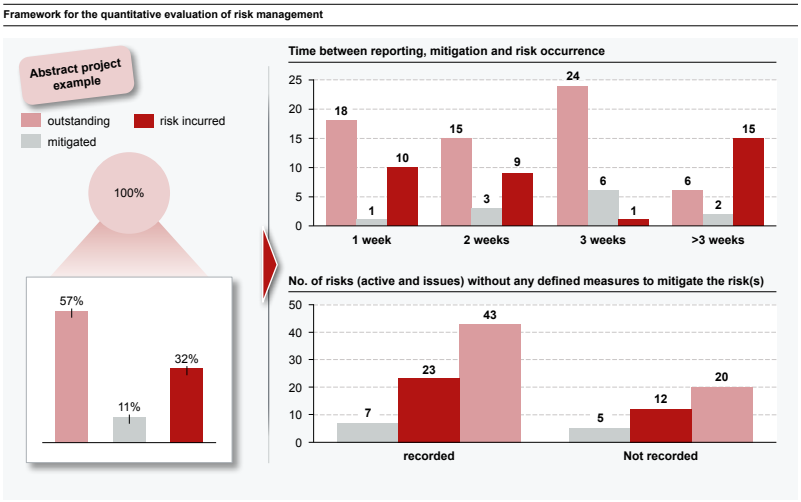
Initially, established risk management processes (see also figure 24) as well as the accompanying documentation (e.g. risk and issue log) are examined. The following aspects are taken into account in the qualitative evaluation of the analysis:

- Check as to whether the risk management process is being actively carried out in all areas and that documentation is made available to all those involved in the programme.
- Verification of whether risk management is an intrinsic part of programme management and is used for the proactive and far-sighted avoidance of adverse effects on, or potential damage to, the programme or parts of it.
- Review of whether and how emerging risks and issues are consolidated and monitored under risk management.
- Qualification as to whether risk and issue management is designed to be transparent, that assessments are carried out objectively based on facts, recriminations are avoided and that a constructive error culture is established.
- Comparison with the CORE risk management approach in terms of sources of risk, risk structure, tools and risk reporting.

Quantitative metrics as an additional gain in knowledge

Besides qualitative checks, quantitative metrics can be generated to gain further insights. This can be in the form of:

- Analysis of the speed with which prophylactic measures are developed and introduced to minimise the probability of things occurring as well as an event actually happening (figure 24).
- Presentation of monetary-weighted risks with allocation of specifically defined measures for mitigation. Localisation of potential misalignments by means of visualising the effectiveness of risk management along the relevant dimensions (e.g. lead time, criticality and occurrence) using heat maps.



Source: COREresearch 2021

Fig. 24: Risk management in terms of time and documentation

Regardless of whether risk management is actually being carried out, a constructive error culture, which allows mistakes to be made and recognises this as a learning process as well as an opportunity to improve both the programme and those involved in the programme, is essential to the long-term success of the programme.

Constructive error culture as a factor relevant for increasing the probability that programmes will succeed

A study carried out by BPM shows that 83% of successful projects have deemed error culture as necessary and as an opportunity to learn and develop innovations.[49] The differences are significant and the error culture, along with risk management, have a major influence on the success of programmes.

[49] BPM Lab, 2015

5 Summary of success factors

The following factors of success have emerged from our many years of experience in the implementation and support of turnaround management in transformation programmes:

- **A structured analysis** of the relevant dimensions in a programme is necessary to identify possible misalignments
- Turnaround management requires **programme realignment** by means of replanning and restructuring where objectives are adapted to the general conditions
- **An early integration of all stakeholders** in the programme, differentiated and according to need, is essential, as is moderation between these stakeholders
- Timely avoidance of conflicts of interest by **communicating** all decisions and facts with the help of structured reports and committees that meet regularly
- Short committee cycle for the **decision-making committee** (at least once per week) with proper preparation and prioritisation of decisions
- Realistic planning assumptions that take into account the general conditions, risks and uncertainties – ignoring politically motivated influences – are essential for proper **programme planning**
- Maximum transparency regarding the levels of hierarchy for critical work packages increases the efficiency in **reporting**, and uniform rules enable a standardised check on progress
- Targeted **deployment of staff** to meet the programme requirements, supported by training and coaching sessions to accompany the programme for the specialists and executives. If deemed necessary, new appointments to key positions and strengthening of the team with qualified internal and external resources
- Active **risk management** by strictly addressing and prioritising the risks, introducing countermeasures quickly as well as checking that these are continually adhered to

6 Back on track to success with turnaround management

Accelerated change driven by economic and societal change, particularly in the areas of technology, climate and healthcare, are now affecting all companies and is evident in virtually all sectors. In order to cope with the related challenges, companies need to take bold and efficient transformation at shorter intervals. Their ability to do this successfully will determine whether or not they will still have a presence in the markets of the future.

It is absolutely crucial that companies use their ability to transform more successfully than ever before by means of projects and programmes, since so many transformation programmes have failed. From a business strategy perspective, it is necessary to increase the success rate for ongoing and planned programmes, in order to avoid wasting a lot of time and money for rescheduling, rescuing and postponing follow-up projects. It is helpful to detect early on what pitfalls may result in misalignments when carrying out programmes. On the one hand, this requires a comprehensive understanding of the complexity of transformation programmes and, on the other, developing an awareness of problems and introducing countermeasures on time in the form of turnaround management.

Turnaround management is the desired decision for change, in order to get the programme that has got into trouble due to identified misalignments back on the success track with the help of an established diagnostic framework. The systematic analysis and examination of the seven dimensions of possible misalignments that have been presented is an integral part and the starting point of any turnaround. This should be carried out in line with criteria that can be monitored objectively, both in terms of the quantity and quality of measures. Suitable knowledge of approaches and experience in carrying out complex transformations as well as programmes and turnarounds will improve the chances of success. To guarantee that the programme remains on the road to success after turnaround, it makes sense to include so-called “health checks” as recurring checkpoints at regular intervals.

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As an independent technology think tank, we research the systematics of technology-driven transformations in industries with a high degree of IT involved in the value creation process. As part of our research activities, we analyse markets and technologies, address the structures, causes and mechanisms of change and curate results for clients and the public. Furthermore, we make selected results of our interdisciplinary research available to a broader section of the public in the form of comprehensive publications, case studies as well as lectures.

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