Outsourcing Programme Management

INTRODUCTION

Outsourcing an IT project is one thing. But do you really want to entrust a supplier with managing your strategic IT programme?

Compared to previous years, IT project success rates are declining. According to the 2016 Harvey Nash/KPMG CIO Survey (the world's largest survey of its kind) up to 30% of IT projects were deemed a complete failure.

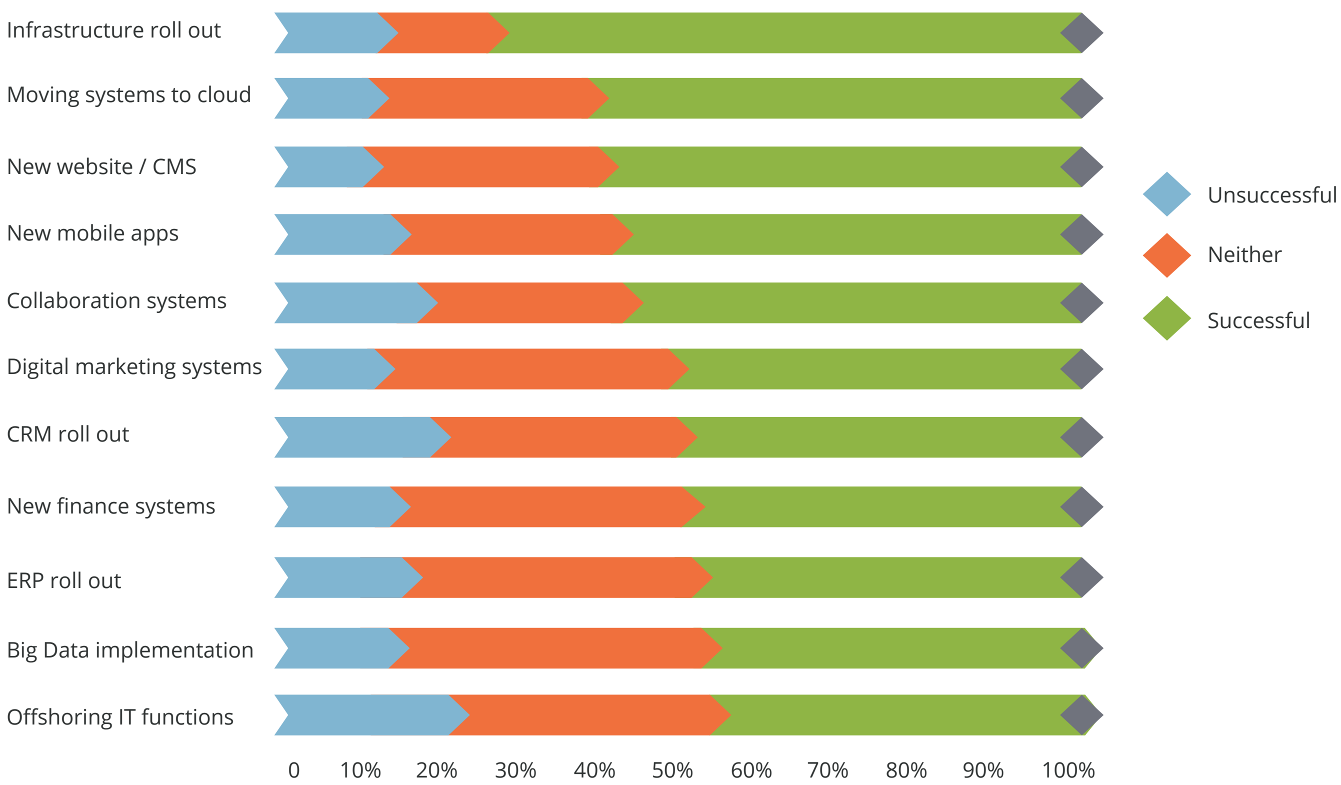

Figure 1 - Harvey Nash/KPMG CIO Survey 2016:
"For those projects completed during the last TWO YEARS, indicate how successful you feel the project was."

Unlike a traditional IT project where the requirements, scope, timeline and cost are relatively predictable, a strategic IT programme has goals which are often vague, conflicting and changing. Furthermore, it is a given that the business environment will also change during the lifetime of a programme, so alignment is a constant struggle.

No wonder many IT leaders who consider outsourcing strategic programmes rarely give full control to the supplier. A failed or stumbling project can be a costly burden; a failed programme could damage your entire business

So what can you, as a business or IT leader, do to mitigate this risk?

One option is to do it all in-house. However, the very reason organisations look to outsource is because they recognise they don't have the skills and capability to run a strategic programme alone. Furthermore, a characteristic of business change programmes is that people - including the leadership themselves - will have at least some resistance to the very change being called upon. External facilitation is often the best way to clarify sponsorship and rally people around to get buy-in and commitment to what can often be very uncomfortable on a personal level. Without careful handling of how implementing change affects people, the chances of successful delivery are slim to none.

Very few organisations hand over the entire programme management and change leadership to an outsourcing supplier. To take that course of action is often seen as an abdication of responsibility. Even suppliers feel jittery about this approach as programmes by their nature are inherently risky, so any failures would be blamed entirely on them resulting in contractual disputes and reputational damage.

Hence, most organisations opt for a partnership model whereby both the customer and supplier each provide a programme manager. It's a costly solution, but organisations typically go for this because the alternatives – as described above – are even less favourable and potentially costlier in the long run.

A key challenge with operating a partnership model is that roles and responsibilities typically overlap. During the set-up phase, it's standard practice for both parties to minimise the overlap by agreeing who does what; how success can be measured, and how decisions should be made. However, no matter how much decision-making and responsibility is formally entrusted in the supplier, any significant decisions will usually fall to the customer to make with the supplier acting as trusted advisor. There's nothing wrong with that, but it's worth bearing in mind when constructing joint ways-of-working to ensure the split between customer and supplier is realistic and practicable.

Another dynamic of managing a programme from both a customer and a supplier perspective is the tendency to review and monitor the programme through internal meetings as well as joint meetings. This, for sure, is usually a waste of time – however understandable it may be for either side to want to have a private huddle on what to bring up in a joint review. It is far better to have joined up discussions and share openly concerns that either side has on progress, rather than the alternative scenario where pretty much the same content gets discussed in duplicate meetings. When this occurs, it fosters an 'us and them' attitude where the focus is on positioning rather than a shared vision on how to achieve success.

There may be resistance to operate with full transparency as each party needs to protect their own commercial situation and act accordingly. However, it is entirely appropriate to say in a joint review that a particular discussion point requires separate meetings for both sides to consider their commercial position. The key is to be open about it and carry on, limiting the time spent on closed discussions which risk tying people up in unnecessary meetings and undermining the relationship.

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TIPS

Finally, here are three tips to increase the success of an outsourced IT programme:

Tip 1: Ensure there's an effective mechanism for quick decision-making

In the IT world, time is money and change happens quickly. Hence, it is often better to make a bad decision than no decision. Obviously, a good decision would be preferable, but unless perfection is pre-agreed as success criteria of the programme, then allow the programme to keep flowing rather than putting it in a state of limbo while option papers are considered and committees formed to debate whether option A is better than option B, etc. There's often not a perfect answer anyhow and the time spent debating the point could be better spent just getting on with it – whatever 'it' is – so long as the decision reached helps meet the expected programme outcomes.

Most IT initiatives are exploratory by nature. That is, you don't know up front all the answers to get from the current state to the future state. However, even at the start of an engagement you should have a fairly good idea of most of the key decisions that will need to be made along the way. So, while it sounds obvious, it is still surprising how many detailed plans lack the clarity around these decision points – even the ones that are knowable up-front. Often a plan will focus on what the supplier will deliver and when (because this usually dictates how the supplier gets paid). This needs to be balanced by what the customer will deliver and when – and key to this is calling out the decision points plotted against time.

Tip 2: Minimise system customisations by improving business processes instead

Packaged software seldom does everything a client needs. Even having a portfolio of software packages is unlikely to meet all the necessary requirements. Hence, much effort is spent in creating system interfaces between packages and, moreover, creating bespoke customisations around the periphery.

This problem doesn't always go away by investing in a replacement system. This is because when building new systems we often start by asking end-users how they want the new system to work. Seems reasonable enough, but typically the response back is that they want it to look and feel just like the old one did, but maybe with a few extra features here or there. These requests get fed back as 'must have' requirements, following which considerable effort is consumed bending the available solutions (through ad hoc code and interfaces) to make them satisfy the customer requirements.

Putting aside the cost of implementing customisations, it often goes unnoticed until it's too late the ramifications for on-going maintenance. While the customisations may do the job, they will likely only work at a given point in time. It is to be expected that a core system will go through regular updates so therefore it is inevitable that any customisations will need re-visiting each time as well. At best this involves analysis to ensure core system changes don't impact the customisations. More likely, though, some re-development and testing will also be required – which could be a significant on-going cost.

Hence, if a choice is to be made between getting something done by extending a software package through bespoke customisation, or tweaking a business process – fix the process rather than the software. Often a process change is the simplest and cheapest solution, not just to implement but also in sustaining the business over the long-term as well.

Tip 3: Simplify reporting and governance and let it evolve over time

Some programmes should flag their governance structure as their number one risk! Especially on larger programmes, governance can be unnecessarily burdensome. The point of any governance structure is to facilitate decision making (see Tip 1) and to monitor progress towards meeting the expected business outcomes. It should not be an exercise in endless report writing with detailed status commentary coming from each and every workstream. Instead, use visuals to illustrate run-rates, critical path activities and milestones, the status of deliverables, etc. Keep it at a relatively high-level and only delve into the detail where key risks and issues need a decision to move forward.

A factor in programmes which feature both a customer and a supplier programme manager, is that both sides will have their own reporting standards. Larger organisations may well be compelled to report internally on status in their own way no matter what the programme team agrees. At best this results in the PMO copying and pasting status updates from one system to another. However, in practice it's rarely that straightforward. Therefore, proper consideration should be given to this issue and a compromise sought. As a classic example, when running a programme you really only want to refer to one risk register. A programme risk affects both customer and supplier, so there is little sense in maintaining a customer risk register and a supplier risk register and the effort involved in merging the two.

Last, but by no means least, recognise that governance should not be a static structure. What gets set-up at the start may well be inappropriate as time goes on, especially in a dynamic business environment. Keep an eye on whether the governance is truly serving its proper purpose, and if not, bring this up for resolution at the next governance board.

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